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**Health Committee**
Komiti Whiriwhiri Take Hauora

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# 2022/23 Annual review of Health New Zealand—Te Whatu Ora

Presented to the House of Representatives
by Sam Uffindell, Chairperson

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# Health New Zealand—Te Whatu Ora

| Recommendation |
| --- |
| The Health Committee has conducted the annual review of Health New Zealand—Te Whatu Ora for 2022/23, and recommends that the House take note of its report. |

# About Health New Zealand—Te Whatu Ora

The Pae Ora (Healthy Futures) Act 2022 established Health New Zealand—Te Whatu Ora (HNZ) as a Crown Agent. The Act commenced on 1 July 2022, giving effect to a fundamental reform of the health and disability system. Under the Act, the 20 district health boards (DHBs) were disestablished, and their functions were transferred to HNZ. Shared service entities and some operational functions of the Ministry of Health also transferred to HNZ.

HNZ now leads the day-to-day running of New Zealand's publicly funded health system. It manages, or commissions, health services, including hospital and specialist services, and primary and community care.

HNZ is New Zealand's largest Crown entity in terms of staff numbers. As of 30 June 2023, HNZ had 72,594.7 full-time equivalent staff (84,585 employees). Dame Dr Karen Poutasi is the board chair, and the chief executive is Fepulea'i Margie Apa.

## Our hearings with HNZ

We conducted an in-depth annual review of HNZ. We held hearings over three days, for a total of 9 hours, 25 minutes. We thank HNZ for engaging in this process and making its staff available for these hearings. We consider it to have been highly valuable.

# Summary of 2022/23 performance and audit results

In 2022/23, HNZ reported a total income of $25.69 billion against total expenses of $26.70 billion. It reported a deficit of $1.013 billion. The 2022/23 financial year was HNZ's first full year of operation.

HNZ's financial performance was affected by two one-off financial events. The first was settling a substantial pay equity settlement for nursing. The costs of the settlement are backdated and recognised in 2022/23, but the revenue is recognised in 2023/24. The Ministry of Health is expected to fully fund these costs in the 2023/24 financial year. The second is a significant ($284 million) write-down of COVID-19 inventory transferred to HNZ from the Ministry of Health. HNZ said it is important to consider these one-off events when comparing future financial performance.

The Auditor-General issued a "non-standard audit report" for two reasons:

- He issued a modified opinion over an aspect of HNZ's performance reporting: two former DHBs did not maintain records for cardiac surgery wait times, which meant reported data could not be verified. Aside from this one measure, the Auditor-General was satisfied that all other performance information was fairly stated.
- The report included an "emphasis of matter" paragraph: HNZ is required to compare actual budget results with forecast financial statements prepared at the start of the financial year. However, HNZ compared its results to forecasts published on 23 June 2023, a week prior to the year-end.

The Auditor-General otherwise included an unmodified opinion on the financial statements of HNZ. This means he was satisfied that the information audited fairly represents HNZ's financial performance, cash flows, and financial position at year-end.

## Audit results

The Auditor-General assessed HNZ's management control environment, financial information and supporting systems, and performance information and supporting systems and controls as "needs improvement". The Auditor-General identified weaknesses in each of these areas and made recommendations, including the need for:

**Management control environment**

- greater scrutiny by the board's sub-committees of performance information and judgments regarding accounting policies and financial estimates
- a more comprehensive fraud risk assessment
- a process for advising the board and senior management on legislative compliance

**Financial information and supporting systems**

- improved IT controls, such as more secure password settings and user access
- an IT plan to ensure business continuity and recovery in case of a disaster
- sensitive expenditure policies that align with good practice and ensure that transactions are correctly coded and meet the "one-up approval" principle

**Performance information and supporting systems**

- a clear performance framework and performance story of the health system and HNZ's contribution
- accurate supporting records in evidence of reported performance
- enhanced sub-national reporting to create better understanding of regional variance in the data and performance
- better explanations of how and why performance targets are not met
- performance reporting which covers the whole year.[1]

## Performance reporting

A primary concern for the Auditor-General was that there is no clear story about the performance of the health system in New Zealand, and HNZ's contribution to that

[1] The full list of the Auditor-General's recommendations is in the briefing to our committee, available on Parliament's website.

performance. No overarching framework links inputs (like funding, resources, and staffing), to outputs (like services delivered), and outcomes (such as how healthy and well New Zealanders are). In the absence of such a framework, he considered that it is difficult to evaluate HNZ's performance and, more broadly, the overall health system's performance.

We expect HNZ to take on board the Auditor-General's feedback about the development of a performance story. We appreciate the need for HNZ to respond to priorities set by the government of the day. However, we consider it necessary for HNZ to set long-term health outcome measures that remain consistent over time. We intend to monitor HNZ on this and expect it to give an in-depth account of its progress improving outcomes in our next annual review hearing.

# Health reforms and the establishment of HNZ

In its annual report, HNZ described its formation as the "largest merger ever undertaken in New Zealand". Upon establishment, HNZ assumed responsibility for about 80,000 staff, 1,700 data and information technology projects, and 190 capital projects.

We understand that the health reforms are a complex, multi-year process with significant challenges. However, HNZ reported that it has started to see benefits from centralising the health system. We discuss these purported benefits below.

We expect that as HNZ matures and embeds national systems and protocols, we should see the benefits of the merger flow through to improved health outcomes. We appreciate that strong systems and processes are needed to provide health services. Ultimately, we want to see measurable improvements in New Zealanders' health. This includes having more people vaccinated, shorter wait times, better support and access for rural and marginalised communities, and people living longer, healthier lives. In our next annual review of HNZ, we will be seeking updates on improved health outcomes.

## Early priorities and building a nationwide picture of health

HNZ told us that for the first six months of operation, it focused on stabilising services and ensuring continuity of care. Its focus then shifted to establishing operational practices fit for running a national-level health system. This includes integrating the former DHBs' disparate information and corporate systems to remove duplication, increase efficiency, and create cost savings. It also brought together various reporting practices to understand, at a national level, the current state of the health sector and future challenges.

### Health Status Report 2023

We welcome the publication of the Health Status Report 2023 which we understand to be a new legislative requirement.[2] The report provides data and insights into the health issues facing New Zealand's population and acts as a baseline measurement for how the health system is functioning. HNZ told us that the purpose of the report is to inform priorities and identify areas of the system that are working well and those that are not. We acknowledge

[2] The Health Status Report is available on HNZ's website.

HNZ on this significant report. We consider it is very important to have a baseline to measure future progress against.

We asked whether HNZ will change its performance reporting framework now that it has this baseline. We are interested in HNZ using future iterations of the Health Status Report to better report on causal links and health outcomes, rather than a continued focus on outputs.

HNZ acknowledged that it collects a lot of output measures but not all of these measures tell a story about how health is improving and the experience of consumers. HNZ agreed that the Health Status Report can be understood as a "lynchpin" that will inform the development of future performance measures. It said it aims to use the report to move towards reporting on outcomes. We heard that HNZ expects to use the data to tell a more cohesive performance story.

We were pleased to hear this, as we consider it vital that the health sector develops more meaningful performance measures that can be used to measure the success and value for money of various programmes and interventions. We were also pleased to learn that HNZ is considering how it collaborates with other government agencies to incorporate shared accountabilities into its performance framework.

### Setting performance measures

We asked how HNZ sets it priorities and performance targets. It told us that the Government Policy Statement (GPS) and Health Status Report will inform the priorities of the New Zealand Health Plan, which is HNZ's key direction-setting document. We heard that HNZ will measure and report on the outcomes identified in the Health Plan. HNZ said the challenge is to pick targets and measures that "demonstrate progress against the plan". It said its performance story must respond to the GPS, which has not yet been set beyond 2024.[3] We look forward to discussing with HNZ how it plans to develop its performance framework in response to the next GPS.

## Progress implementing the health reforms

### Consistency of care

HNZ reiterated that being one organisation improves the health sector's ability to nationally plan and provide care in a unified, joined-up manner. We heard that, for the first time, health officials have "a really good nationwide picture" and that HNZ can use this information to work towards more consistent levels of care.

We asked about the "postcode lottery": the idea that where an individual lives affects the quality of health services they can access. HNZ acknowledged that care is currently not equal across the country. However, it described the establishment of clinical networks, which bring together senior clinicians specialised in areas like cardiac, trauma, and renal care, as an important first step. The networks take a "whole-of-system" approach and, in some cases, involve nurses, pharmacists, and consumers. The aim of the clinical networks is to create a

[3] Currently, an Interim Government Policy Statement on Health 2022–2024 is in place. It is available on the Ministry of Health's website.

"lift and shift" model in which clinicians learn from their colleagues and standardise best practice across the country.

Similarly, HNZ said that seven metrics have recently been implemented in all operating theatres across the country. These metrics were developed by a couple of districts and are now being used to nationally assess performance and create learning opportunities.

Our expectation is that the clinical networks will develop nationwide standards of care. We consider that there are currently unacceptable variations in clinical practice and limited mechanisms for holding clinicians accountable for unwarranted variation.

## Responsiveness

HNZ also told us that being one organisation improves its ability to reprioritise and redeploy resources to meet immediate health needs. It said it was better able to suppress outbreaks of infectious diseases, such as measles, pertussis, and monkeypox, by using the infrastructure established during the COVID-19 pandemic. Similarly, by making targeted interventions, such as funding pharmacy consultations for minor ailments, HNZ was able to relieve pressure on the health system during the winter illness period. It also reprioritised funding to invest $14 million into addressing urgent workforce shortages. This process, it told us, was faster and simpler without having to negotiate with 20 DHBs.

## Streamlining and removing duplication

HNZ explained that it "inherited a very fragmented system" and that a key focus was integrating and streamlining corporate practices. For example, its "Unify to Simplify" programme removed duplication by merging administrative functions, such as data, digital, human resources, and finance.

Improving "financial hygiene" and standardising financial practices has also been a priority. A new Finance Procurement and Inventory Management System (FPIM) improves transparency and accountability by removing the ability to make "off system" payments. As FPIM is implemented, it will require all expenditure to go through the system with a purchase order and correct delegations. HNZ told us that 98 percent of all transactions are now through FPIM, up from less than 30 percent.

## Financial savings

We heard that by improving corporate efficiency, HNZ made $74 million worth of savings in its first financial year. These savings were carried into the 2023/24 financial year. On an annualised basis, these savings amount to $139 million.

We also heard that HNZ is on track to achieve $540 million worth of savings in the 2023/24 financial year. It assured us that savings will be achieved through "back-office consolidation", improved purchasing power, and efforts to improve productivity in hospital and specialist services. It said that no clinical services will be cancelled or reduced, and all savings will be reinvested back into the health system.

Asked about financial risks, HNZ acknowledged that inflationary pressures, increasing demand for health services, and workforce shortages are ongoing challenges that could

affect its ability to meet the savings target. HNZ cited its difficulty recruiting and retaining doctors, which means locum doctors must be contracted at a greater cost, as a potential financial risk.

# Challenges facing the health system

We note that HNZ has made progress implementing the health reforms and are pleased to see that it is extracting benefits from the merger. However, we are aware that the health system still faces significant challenges.

We note, for example, that the Auditor-General observed that HNZ only achieved 34 out of 87 service performance targets. The Auditor-General also observed a deterioration for most Health System indicators (including for child wellbeing, mental wellbeing, prevention, and acute hospital bed days).

We also note that emergency department, elective services patient flow indicators (ESPI), CT scans, and MRI scan wait times have increased during the year under review. We are concerned that these metrics have gone backwards. We intend to monitor wait times and expect them to have improved by our next annual review hearing with HNZ.

HNZ acknowledged that some targets are “stretch targets” and that it still has a long way to go in some areas. It explained that many of the challenges are not unique to New Zealand—a sentiment that was echoed by the Ministry of Health in its recent annual review hearing with us. Globally, health systems are struggling with rapid cost escalation, and the consequences of caring for growing and ageing populations with increasingly complex health needs. In New Zealand, hospital infrastructure has not kept pace with population growth, creating capacity issues and “pent-up demand” for health services.

In addition to these long-term trends, HNZ highlighted several other challenges during the year under review. It had to respond to extreme weather events (the 2023 Auckland Anniversary weekend floods and Cyclone Gabrielle), the ongoing effects of deferred care caused by COVID-19, and global workforce shortages.

## Financial pressures

### Budget Deficit

We note that HNZ reported a deficit of $1.013 billion. However, we understand that there were two significant items that affected HNZ’s financial result: the settlement of the nurses’ pay equity agreement and the write down of expired COVID-19 inventory. The Ministry of Health is expected to fully fund the costs of the pay equity agreement in the 2023/24 financial year. We expect HNZ to report no deficit in the 2023/24 financial year.

HNZ told us that its board became aware of the deficit during the audit process after the close of the financial year. Initially the board became aware in its September meeting and then, with further clarity, in October once year-end audit work was sufficiently advanced. HNZ said that without those accounting adjustments, there would have been a small financial surplus for 2022/23.

### Holiday pay liability

Compliance with the Holidays Act 2003 has been a long-standing issue, caused by the complexity of calculating shift workers' holiday entitlements under the Act. Upon establishment, HNZ inherited a $2.1 billion liability (as of 30 June 2023) for payments owed to employees who have not been paid their legal entitlement under the Holidays Act 2003. For 2023/24, HNZ received one-off funding of $1.642 billion to settle payments. As of November 2023, $256 million had been paid out to staff. Since assuming responsibility for this issue, HNZ has made progress resolving it, but progress has been slower than HNZ anticipated. HNZ attributed this to the fragmented payroll systems it inherited and the need to manually review and process each payment to staff.

We are concerned that there is continued non-compliance with the Holidays Act 2003 and that the only staff currently being paid correctly are those in Auckland. HNZ told us it is budgeting for this liability; however, the full remediation cost is unknown. We intend to monitor this issue as HNZ works through the remediation process. We understand that HNZ plans to complete payments to current employees by the end of 2024.

### Inflation and cost uplift

Inflation presents a serious financial risk for HNZ. It told us that inflation and "cost uplift" in aged care and primary care are the "highest we have ever seen". We heard that the 2023 Pre-election Economic and Fiscal Update did not increase funding for primary care. Funding for future cost increases is subject to Budget 2024 decisions.

HNZ explained that, in Budget 2022, the health sector received a $13 billion payment over four years to cover inflation and increased costs incurred by demographic change. The payment does not go towards new initiatives and is solely for maintaining the current health system. HNZ added that since that payment was calculated, inflation has increased.

## Data and information

HNZ said it collects vast quantities of data but has issues with interpreting it and having it in a useful form. HNZ told us that this "goes to the heart of one of the major challenges" of the health reforms. Since merging into one organisation, HNZ has assumed responsibility for 6,000 digital applications, creating "the most complex IT landscape in the country". A lack of standardisation across these applications makes it difficult to aggregate data, leading to "patchy" and "incomplete" reporting.

HNZ told us that it is working with the medical colleges to encourage adoption of data standards. It hopes this will lead to more disciplined data collection. A key focus is also consolidating and simplifying its IT landscape to improve interoperability (the ability of computer systems to exchange information).

We strongly support the need for better data analysis across a range of areas including workforce planning, primary care, and mental health. We encourage HNZ to continue investing in its data capabilities and expect to see progress in this area.

## Cybersecurity

In 2021, the Waikato DHB suffered a ransomware cyberattack that brought down all of its IT systems and phone lines. We asked how cybersecurity has been strengthened since the cyberattack. HNZ said it has significantly strengthened its capacity to detect and prevent cyberattacks, which it said mostly come from foreign actors. It has increased its internal cybersecurity capacity and now has a national security incident centre and security operations centre, and 169 permanent cybersecurity staff.

It told us that the “complex ecosystem of applications and systems” it inherited has been a barrier, but it is confident that it has materially improved its cybersecurity. It qualified this by explaining that it has since been subjected to similar cybersecurity attacks that it has successfully thwarted.

### Cyber Academy

HNZ explained that the Waikato cyberattack exposed a lack of cybersecurity capability in the health sector and the New Zealand workforce more broadly. HNZ identified a need for more professionals trained in modern cybersecurity technologies and a gap in formal higher education training pathways. To address this, HNZ has partnered with Te Pūkenga, Microsoft, and the Ministry of Social Development to set up a Cyber Academy. The Academy trains people for a professional career in cybersecurity. HNZ explained that iwi groups are also part of the partnership as Māori have very low representation in the technology sector.

# Health workforce

## Workforce planning

HNZ leads workforce planning and coordination for the health sector. It told us that national-level workforce planning is simpler as one organisation. However, it emphasised that workforce shortages continue to be a serious challenge. We heard that workforce shortages are the greatest single challenge preventing HNZ from meeting its performance targets.

In July 2023, it published its first ever Health Workforce Plan. The plan estimated the gap between existing and “ideal” staffing levels and outlined a national strategy for addressing the gap. The plan estimated that the gap across the whole health workforce (not just those employed by HNZ) included:

- 4,800 nurses
- 1,050 midwives
- 1,700 doctors (including GPs)
- 30 radiation therapists.[4]

HNZ told us that it has made progress addressing workforce shortages. It highlighted mental health and emergency department (ED) as the two specialities most challenged by workforce shortages. We note that HNZ has committed to publishing data modelling

[4] About 250,000 people work in New Zealand’s health sector. About 90,000 of those are employed by HNZ.

workforce gaps annually. We look forward to receiving the next iteration of the workforce plan, due for publication by July 2024. HNZ indicated the plan will have a section specifically focused on mental health.

## Nursing and primary care workforce shortages

An early priority for HNZ was addressing acute nursing and GP shortages. It implemented a range of initiatives to do this, including:

- increasing GP trainee numbers from 100 to 230 in one year
- making it more attractive to specialise as a GP by equalising pay with hospital doctors
- increasing funding for nurse practitioners
- settling the nursing pay equity claim to make salaries more competitive with Australia (something which will cascade through to midwives and allied health workers in 2023/24).

We were pleased to hear that these initiatives are generating positive results, especially in terms of growing the nursing workforce. We note that in the year under review, HNZ's nursing workforce increased by 1,219 nurses. The Nursing Council also reported that 3,042 nurses registered during quarter four of 2022/23, compared to 934 registrations for the same quarter in 2021/22. We are encouraged by these numbers. We suggest that HNZ include information on the upward trend in its quarterly reports, which, currently, focus largely on vacancy numbers.

However, we are aware that the nursing workforce in primary care remains under acute pressure.

## Productivity and the increase in the absolute numbers of health workers

The Health Workforce Plan highlights that the medical workforce has grown in absolute terms, faster than the overall population. In 2000, the ratio of doctors to population was 1:450 and nurses or midwives to population was 1:85. By 2023, those ratios had increased to 1:275 for doctors and 1:75 for nurses and midwives.

We asked why the system is still struggling with capacity issues despite the increase in staff. HNZ told us that all health systems across the world are experiencing a decline in productivity—something that started pre-COVID-19 but was exacerbated by the pandemic. Comparatively, New Zealand's decline is not "as marked as elsewhere".

HNZ reiterated that people are presenting with more complex health needs, which take more time and staffing resource to treat. Data measuring the clinical case load per full time employee reflects this.

HNZ pointed to two productivity "enablers". The first is investment into primary and community care. Increasing the number of GPs and highly skilled nurse practitioners helps relieve pressure on hospitals by shifting care into the community and looking after people closer to home. Similarly, early detection by a GP can slow disease progression and reduce severity. The second enabler is optimising assets to "unblock flow through the hospital". HNZ

reviewed the productivity of every operating theatre across the country and now understands how to optimise capacity. It said that sharing the case load between theatres and enabling "people to move across regions to receive care" is useful. Equally important is ensuring that, on any given day, there is the right skill mix so theatres can function at full capacity. This has implications for recruitment and rostering.

We also heard that advanced technologies like machine learning and artificial intelligence "will be the game-changer in terms of productivity".

## Attracting international talent

HNZ told us that recruiting international talent is "absolutely critical" for addressing workforce shortages. It has established a new, centralised international recruitment centre to attract foreign health professionals and assist them with the immigration process. At the time of our hearings, the centre had generated more than 1,300 expressions of interest. HNZ is also providing additional support for internationally qualified nurses to practise in New Zealand.

We asked HNZ whether anything could be done from a government policy position to recruit foreign nurses more quickly. HNZ noted that medical colleges have a key role to play.

We were surprised to hear that HNZ has not advised Immigration New Zealand officials about how to adapt immigration policy settings to make it easier for mental health specialists to immigrate to New Zealand. HNZ told us that advising immigration policy is not in its purview and that other agencies are responsible for providing this advice.

We heard that "landing schemes" for foreign nurses (which are available to mental health nurses) have increased substantially and that the International Recruitment Centre had been able to support mental health recruitment in the NGO sector.

## The role of medical colleges in addressing workforce issues

A robust, fully staffed workforce relies on a multi-year pipeline of initiatives that begins with ensuring enough medical students are trained and qualified. The medical colleges are responsible for training, examining, and recertifying medical practitioners. Medical colleges, like the Nursing Council, are also responsible for accrediting international health professionals before they can work in New Zealand.

We learnt that New Zealand's process for accrediting foreign medical practitioners is slow compared to Australia. HNZ said it recently met with the Council of Medical Colleges, which represents 17 medical colleges, to discuss accelerating the pipeline for training and bringing people into the country.

We fully support HNZ's efforts to increase the volume of medical trainees and speed up accreditation. New Zealand is competing with Australia to attract talent from the northern hemisphere and needs to position itself competitively. We encourage the medical colleges to work collaboratively with HNZ to achieve this.

We consider that the medical colleges could do more to address workforce shortages and grow the medical workforce that New Zealand needs. We respect that medical colleges are

self-regulated; however, we implore them to use every tool available to speed up the accreditation process and enable more medical students to be trained and qualified.

## HNZ's work environment and culture

Retaining highly skilled, qualified staff is crucial for addressing workforce shortages. To do this, HNZ must have a positive work culture that encourages long service and is globally competitive.

HNZ acknowledged that merging 28 agencies makes establishing a "common set of values" challenging. However, it said that staff are starting to feel as if they belong to a bigger, unified organisation. Within its first five months, HNZ conducted a "pulse survey" to measure staff satisfaction. One of the prevailing themes that emerged was that frontline staff do not feel they have the tools to meet patients' needs. From the survey, HNZ developed 1,500 actions and has completed 70 percent of them.

Another pulse survey will be conducted in April 2024. We look forward to hearing about the results and expect to see HNZ's efforts to improve work culture reflected. We are pleased that HNZ is seeking feedback from its staff.

### Staff safety and bullying

We noted the rising trend of assaults in emergency departments and heard that "all sorts of things in the environment" affect the amount of aggression that staff are confronted with. We asked about the use of security guards and whether HNZ agreed with the New Zealand Nurses Organisation that better staffing ratios and shorter wait times would make hospitals safer. We heard that all employees are trained in de-escalation and that HNZ planned to continue engaging with unions and others on the issue.

We are concerned that bullying is a common experience for health workers, and asked HNZ how it is creating a culture where everyone is valued. It told us that it inherited "different levels of risk appetite" on how to respond to bullying. However, it has now set a consistent standard across the organisation. Reports of bullying and violent behaviour have increased. HNZ considers that it is a positive step that staff appear to be gaining confidence reporting incidents of bullying and violent behaviour. The chief executive told us that "we don't tolerate bullying" and assured us that, once reported, HNZ moves quickly to intervene.

# The funded sector: primary and community health

Most routine, daily interactions that New Zealanders have with the health system are with providers that are funded by HNZ. This is known as the funded sector. It spans GP and urgent care services, maternity services, oral health, aged-residential-care, community pharmacies, telehealth, ambulance services, in-home and community care, community labs, radiology, physiotherapy, and more. The sector accounts for 35 percent, or $9 billion, of HNZ's annual budget.

As is the trend across the health system, the funded sector has experienced increased demand. HNZ told us that, since 2019/20, ambulance attendances have increased by 11

percent, general practice daily encounters by 9 percent increase, and pharmacy scripts by 13 percent.

## Pathways of care and the importance of primary health care

HNZ stressed the vital role that primary and community care plays in the overall health system. It described the way that primary and community care "bookends" hospital and specialist care. The continuum of care starts with health promotion and illness prevention and, failing that, leads to early detection and intervention, all of which happen at a community and primary care level. Similarly, after hospitalisation, community care must have enough capacity (for example, aged-care beds) to discharge a patient.

HNZ agreed with our assessment that when people do not receive adequate primary care, it leads to increased demand for, and pressure on, hospital care. Similarly, when hospitals and specialists are at maximum capacity and cannot adequately care for patients, pressure on primary care increases as patients may need to see their GP more often (for example, for monthly prescriptions). We asked about the concerning rates of ambulatory sensitive (avoidable) hospital admissions (known as ASH rates). HNZ told us that ASH rates are a symptom of primary care "operating at 100 percent capacity". It told us that 33 percent of GP practices are not accepting new patients—something that is disproportionately affecting rural and regional communities.

We understand that GP staffing shortages are so bad that some medical centres are closing. One of us highlighted the recently announced closure of the Pāpāmoa Pines Medical Centre, which has 6,000 patients, as an example. We are also aware that two thirds of GPs are planning to retire in the next decade. We are concerned that this will put an enormous strain on the primary sector and wider health system. We expect HNZ to plan for this eventuality now. We consider it crucial that HNZ works with the medical colleges to ensure that there is a sufficient pipeline of GPs in training to backfill planned retirements.

## Pay parity between the employed and funded sector

HNZ told us that staff in the sector employed by HNZ (those working in hospitals) earn more than staff in the funded sector (those working in primary and community care). For example, nurses in the funded sector are paid nearly 20 percent less and laboratory workers nearly 30 percent less.

We heard that the pay discrepancy between the funded and employed sector is particularly challenging for the aged-care sector. We are aware that aged-care providers compete with hospitals for staff and struggle to recruit and retain nurses. HNZ agreed that this is a challenge. It told us that as nursing vacancies continue to fill in hospitals it expects the situation to improve for aged-care providers.

We inquired whether HNZ plans to use any of the $540 million worth of savings to match remuneration levels. We were told it was unaffordable. The pay parity gap for general practice alone is $170 million. The total cost, including aged-care and community workers, is likely over $1 billion. HNZ said that achieving pay parity would require additional, dedicated funding from the Government.

# Mental health and addiction

HNZ explained that demand for mental health and addiction services has substantially increased, and the demand has outpaced growth in services. Notably, rates of anxiety and mental distress among young people have surged.

We understand that workforce shortages continue to be a major challenge for the provision of quality mental health and addiction care. We heard that there is a shortage of forensic psychiatrists and clinical psychologists. HNZ emphasised the training pipeline and the fact it takes a long time to specialise in mental health. It said it is making progress addressing shortages. In 2019 there were 12 clinical psychology interns. This has now increased to around 50. We expect HNZ to continue to prioritise the development of a skilled, specialised mental health workforce.

## Youth mental health

Asked about measures to support youth metal health, HNZ told us that it funded 22 additional youth-specific services that supported 6,753 people. It also told us that it has allocated $25 million over four years to expand mental health and addiction support for tertiary students.

In partnership with the Ministry of Education, HNZ provides mental health programmes in primary and intermediate schools in five regions. The “resilience-building” programmes promote wellbeing and make targeted interventions for children who have social, emotional, and behavioural issues. Asked about plans to implement the programme nationwide, HNZ told us that it is expanding services at the pace the funding allows. Post-Cyclone Gabrielle, the programme is being expanded into Tairāwhiti and Hawke's Bay.

## Providers of mental health and addiction services

Most mental health and addiction services, including specialist services, are provided in the community (as opposed to in inpatient facilities). HNZ provides some services, but the “vast majority” are provided by NGOs and primary health organisations. HNZ clarified that it does not fund the Gumboot Friday I am Hope charity. It explained that the Ministry of Health is the lead adviser for the Government, and suggested we enquire with the ministry about funding Gumboot Friday.

We were told there is “significant pressure on beds across the board” for inpatient facilities for both mental health and addiction services. HNZ said it is investigating what a “contemporary continuum” of mental health and addiction care looks like and the role of inpatient facilities. It acknowledged the variation in service provision across the country. Work is under way to understand different methods for providing care and whether more inpatient facilities are needed.

## Smoking cessation

We note that, while the number of people who are daily smokers has decreased, HNZ failed to meet its target for offering cessation programmes. We heard that this is symptomatic of primary care organisations operating at full capacity.

We asked what, if any, new emphasis had been placed on smoking cessation programmes given recent Government policy decisions. HNZ told us that it is focusing on the "usual set of interventions" and models that it knows are successful. It said it is continuing to roll out existing cessation programmes targeted at specific demographic groups, like mothers and babies. HNZ cited the success that Counties Manukau has achieved with its smoking cessation programme in which 80 percent of smokers quit within four weeks.

## Access and Choice programme

In Budget 2019, funding of $1.9 billion was allocated to mental health and wellbeing. Of that, $455 million was allocated to the Access and Choice programme, which HNZ now administers. The programme builds mental health and addiction expertise in general practice teams by placing health improvement practitioners into GP practices.[5] Those less likely to be enrolled with a GP, such as youth, Pacific people, and Māori, can access specialised services through other pathways.

HNZ said that 525,648 consultations have been carried out, servicing 185,000 people. The programme is funded within HNZ's baseline funding. We were told that it is has no plans to stop the programme, but any expansion would need additional funding.

HNZ has assessed the programme's success through an external evaluation. Service providers must also submit monthly reports. The contracts are managed by local commissioning teams who work closely with the providers to monitor performance and suggest areas of improvement. To date, no funding has been withdrawn from a provider due to performance concerns.

## Measuring the success of mental health programmes

We are concerned that mental health outcomes in New Zealand are getting worse. We asked how HNZ measures the effectiveness of mental health and addiction programmes, including that they are improving New Zealanders' lives. HNZ said it uses a range of measures to report on mental health. It collects data on presentations to the mental health system, service provision, recovery, and readmission rates. However, it acknowledged that the reporting largely focuses on "outputs". It said measuring the outcomes is "a really big question" and is harder to quantify.

HNZ acknowledged the work of the Mental Health and Wellbeing Commission, which carries out research and advises HNZ on issues related to mental health.

5 Health improvement practitioners are experienced mental health clinicians.

## Mental health prevalence survey

In 2006, the Ministry of Health published Te Rau Hinengaro—New Zealand Mental Health Survey. The survey collected data in 2003 and 2004 on the "prevalence, severity, impairment, and treatment of major mental health disorders".[6] This information is now 20 years old, and we asked HNZ about its plans to conduct an updated survey. HNZ agreed that a prevalence survey is a critical part of helping it understand need. However, it clarified that the survey is the Ministry of Health's responsibility.

We encourage HNZ to work with the ministry to prioritise a prevalence survey. We are concerned that the population lacks understanding about the prevalence of mental health needs. Without a baseline to map mental health issues against, it is difficult to assess whether interventions are working.

HNZ is responsible for planning and funding the provision of mental health services, and we are concerned it does not have quality data to inform this. We understand that the mental health sector strongly supports another survey.

# Regional variation and health inequity

HNZ said it knows it needs to urgently "address the consistently poorer health outcomes for many New Zealanders, notably Māori, Pacific peoples; tangata whaikaha, disabled peoples; and indeed, rural communities". Addressing variation in access to, and quality of, services was a key motivation for the health reforms.

We note that some early work, like the establishment of clinical networks, seeks to address this. However, it appears that significant regional variations and health inequities between population groups remain. HNZ agreed that there is still a long way to go to achieve health equity. It highlighted, for example, a concerning decrease in vaccination rates for Māori and Pasifika.

We expressed frustration that it is hard to track regional performance across the country. HNZ accepted that it needs better data that is disaggregated at a regional and local level. It described this as a "work in progress". We look forward to monitoring HNZ's progress in this area.

## Disestablishing the Māori Health Authority—Te Aka Whai Ora

The Pae Ora (Disestablishment of Māori Health Authority) Amendment Act 2024 received Royal assent on 5 March 2024. The Act will disestablish Te Aka Whai Ora—the Māori Health Authority when it comes into force on 30 June 2024. We asked how HNZ is planning for Te Aka Whai Ora's disestablishment and how it will ensure that monitoring of Māori health inequity is not dropped. At our hearing on 21 February 2024, HNZ said it is focused on ensuring that "institutional knowledge and memory" is not lost in the transition. However, it had "not yet been advised of formal decisions on how" the new system will work.

[6] Te Rau Hinengaro – New Zealand Mental Health Survey is available on the Ministry of Health's website.

Mapping for the transition is occurring at operational and governance levels. Some of Te Aka Whai Ora's staff, including its chief executive, will transfer to HNZ, and HNZ will assume responsibility for iwi-Māori partnership boards (IMPBs).

We asked HNZ for how it plans to achieve health equity for Māori. HNZ were unable to provide a workplan. We expect HNZ to provide us with a workplan on how it plans to improve outcomes and health equity for Māori.

## Iwi-Māori partnership boards

HNZ emphasised the important role that IMPBs play in addressing issues of regional variance and inequity. The IMPBs are grouped by region and participate in planning and designing local health services.

We asked for clarification on how the Pae Ora Amendment Act will affect IMPBs. HNZ confirmed that IMPBs will have "an expanded role in commissioning" health services. Commissioning health services is a complex task with a number of steps, from analysing health needs to inform investment and disinvestment decisions, through to evaluating and monitoring. At the time of our hearing, IMPBs were working with Te Aka Whai Ora to assess their ability to take on these tasks. Planning is ongoing for how IMPBs will evolve as a result of the Act.

We pointed out that the original intention of IMPBs was to provide Māori with a voice. If IMPBs assume responsibility for commissioning health services, they will need more resources and support. HNZ said that the scope of IMPBs' commissioning functions were still being determined.

We raised a concern with HNZ on how localities had been developed during the year under review. We consider that the IMPBs and localities did not receive enough resource or support to develop workplans and succeed.

## Responding to local need

HNZ described its ambition to be a "national system which delivers in a regionally integrated fashion". It assured us that while it has nationally consolidated corporate functions, it has retained local commissioning teams to ensure local projects and priorities are not lost. We asked how HNZ balances national-level planning with responding to local needs.

The Pae Ora (Healthy Futures) Act established localities. Under the Act, each locality would have its own locality plan, detailing the health priorities of the local community. HNZ said that it originally planned for 60 to 80 localities across the country. However, HNZ said it became clear that it needed to do more work to understand what is required to fund and support that level of local community engagement.

The Pae Ora Amendment Act extends the deadlines for determining localities and locality plans by five years. The Minister of Health also recently announced that work on locality planning would be paused.[7] We asked HNZ how, in the new model, communities will have input into their local services. We also asked how non-Māori people who are not represented

[7] Beehive.govt.nz, Dr Shane Reti's speech to Iwi-Maori Partnership Boards, Christchurch, 7 March 2024

on IMPBs can shape their local health services. HNZ said it is still working on this with the Minister and the Ministry of Health. HNZ noted that 12 prototype localities were established. At the time of our hearing, it was examining the lessons from the 12 prototypes to inform a new, more flexible approach.

The chair of HNZ explained that the board has made an effort to travel around the regions and "understand what is happening locally". HNZ also expects primary health operators to increase their engagement at a community level to represent regional interests more strongly.

# Infrastructure: asset management and investment

HNZ owns one of the Crown's largest estates, comprising assets of land, buildings, clinical equipment, health technology, and vehicles. It manages more than 1,200 buildings across New Zealand with a replacement value of around $38 billion. HNZ described its buildings as "a very aged fleet", with the average building aged at over 45 years.

We recognise the importance of health infrastructure in enabling clinicians to provide high-quality and safe healthcare. We are aware that HNZ faces challenges with both the upkeep of existing facilities as well as the development of new infrastructure. HNZ told us that locally submitted capital intentions have more than doubled since 2020, from $15 billion to $34 billion ahead of Budget 2024.

## Importance of appropriate healthcare infrastructure

HNZ emphasised the link between quality infrastructure and quality health care. In some instances, aged or poorly designed infrastructure is inhibiting clinicians' ability to care for patients. For example, it highlighted the EDs in Dunedin Hospital and Taranaki Base Hospital. These facilities were not designed for modern emergency services and no longer meet local health needs.

## Major projects

We asked HNZ for an update on current and planned major capital works. As of June 2023, $7.7 billion of funding had been allocated to 110 projects across the country. Of these, 73 projects are "in-flight", with a combined value of $6.56 billion, and of these, 16 projects have had significant budget and milestone risks identified. We intend to monitor HNZ's progress towards completing these 16 at-risk projects.

HNZ also has about 1,000 smaller regional projects, such as upgrades and refurbishments, which are self-funded through depreciation.

## Infrastructure planning

HNZ said it is centralising facilities, infrastructure, and capital-planning teams to remove duplication. Its aim is to "plan nationally, coordinate regionally, deliver locally".

HNZ told us that now it manages the infrastructure portfolio nationally, it has the means and justification to attract talent and grow "highly commercial and highly technically focused

teams”. Previously, DHBs were not big enough to warrant in-house infrastructure expertise, leading to a reliance on external contractors and consultants.

Similarly, HNZ said that taking a standardised approach to designing infrastructure helps take the “frustration and cost” out of the design process.

### National Asset Management Strategy and Infrastructure Investment Plan

The National Asset Management Strategy is a roadmap for improving asset management practice across health infrastructure. The Infrastructure Investment Plan is a 10-year plan for prioritising and phasing investments in health infrastructure.

HNZ told us that both documents are still in draft form. We look forward to receiving the documents soon. We consider long-term infrastructure and asset management planning to be critical for achieving good health outcomes for New Zealanders.

We questioned the 10-year timeframe of the Infrastructure Investment Plan, and asked whether it is looking far enough into the future. HNZ said that ideally the time frame would be 30 to 50 years, as it can take that long to commission and build infrastructure. However, 10 years is a “start point”.

We were assured that tangata whenua perspectives were included in the development of both documents. HNZ advised that it worked with Te Aka Whai Ora on both. Te Aka Whai Ora also helped broker relationships with local iwi where needed.

## Other matters considered

We also discussed the following matters with HNZ. For more detail, refer to the pages noted below in the *Hansard* transcripts of our hearing, available on the Parliament website.

**Hira**—Hira is a new digital platform being developed that will enable people to keep track of their health records in one centralised place. The intention is to allow people to have more input and control over their own healthcare. HNZ inherited this project and updated us on how it is progressing. *(See transcript 2 of 6, pp 24–25.)*

**Hospital upgrades around the country**—HNZ updated us on the following infrastructure projects:

- Bay of Islands Hospital *(see transcript 3 of 6, pp 8–9.)*
- Dunedin Hospital *(see transcript 3 of 6, pp. 2–3.)*
- Counties Manukau hospital buildings *(see transcript 3 of 6, pp 11–12.)*
- Nelson Hospital *(see transcript 3 of 6, p 3.)*
- Tauranga Hospital *(see transcript 3 of 6, p 4.)*
- Wellington Hospital emergency department *(see transcript 3 of 6, pp. 3–4.)*
- Whangārei Hospital *(see transcript 3 of 6, pp 7–8.)*

**Infrastructure for fast growth regions**—We sought information about two rapidly growing regions and asked HNZ about its infrastructure plans for:

- Queenstown Lakes District *(see transcript 3 of 6, p 9.)*
- Pāpāmoa *(see transcript 2 of 6 p 11 and 3 of 6, pp 4–5.)*

**Implementing hospital targets**—We asked HNZ about the reintroduction of targets. We heard that a six-hour target for ED is clinically important, but that HNZ is challenged by ED workforce shortages. HNZ assured us that it is conscious of not creating perverse incentives for hospitals to rush patients through care or take them off a waitlist to meet targets. HNZ said it has a range of tools for auditing hospitals to monitor this. *(See transcript 3 of 6, pp 16–18.)*

**Health services for Asian communities—**We raised the need for Asian health data to be broken down by ethnic group. HNZ agreed and said some of this data is in the Health Status Report. It told us that it is looking to nationalise some services designed specifically for Asian communities. *(See transcript 3 of 6 pp 27–28 and transcript 4 of 6, p 2.)*

**Mental health issues and the prison population**—We raised a concern that people with mental health issues end up in prisons, rather than mental health facilities. These people do not receive adequate treatment in prison or after release. We asked about the relationship between poor mental health and crime. *(See transcript 4 of 6, pp 27–30.)*

**Youth vaping**—We highlighted a media report that said more primary and intermediate age school children than secondary school students were suspended for vaping. We inquired about measures to make vaping less attractive for young people and discussed HNZ's role enforcing vape regulation. *(See transcript 4 of 6, pp 12–14.)*

**Immunisation**—We discussed the worrying decline in vaccination rates for Māori and Pasifika people. HNZ explained that the decline started in 2017 but was "vastly precipitated" by the COVID-19 pandemic. HNZ commissioned a comprehensive review of New Zealand's vaccination system, which produced 54 recommendations. HNZ has made progress on 15 of those recommendations. A big focus is improving access by making more vaccinations available at pharmacies. *(See transcript 4 of 6, pp 15–17.)*

**Moving the dial on health outcomes**—We asked HNZ what two or three things would materially improve health outcomes. It told us that workforce is most important. It said supporting and growing the primary and community sector workforce is especially key. We heard that more GPs and skilled nurse practitioners means more care can be provided in the community and specialist time is freed up so practitioners can work to the top of their scope. *(See transcript 5 of 6, pp 2–3.)*

# Appendix

## Committee procedure

We met between 13 December 2023 and 27 March 2024 to consider the annual review of Health New Zealand—Te Whatu Ora. We conducted an in-depth annual review, hearing evidence from HNZ on 21 February, 1 March, and 12 March 2024 for a total of 9 hours, 25 minutes.

## Committee members

Sam Uffindell (Chairperson)
Dr Hamish Campbell
Dr Carlos Cheung
Ingrid Leary
Cameron Luxton
Hūhana Lyndon
Jenny Marcroft
Debbie Ngarewa-Packer
Hon Dr Ayesha Verrall

Dr Vanessa Weenink participated in some of our consideration of this item of business.

## Related resources

We received the following documents as advice and evidence for this annual review. They are available on the Parliament website, along with the Hansard transcripts and recordings of our meetings.

- Office of the Auditor-General (Briefing on Health New Zealand—Te Whatu Ora).
- Health New Zealand—Te Whatu Ora (responses to written questions).