



# Briefing to the Incoming Minister of Health

Health and Disability System Review

Date

Priority

Routine

Security classification

~~In Confidence~~

# Background

The purpose of the Health and Disability System Review 2020<sup>1</sup> (the Review) was to identify ways to improve the sustainability of our system, achieve better and more equitable outcomes for all New Zealanders, and shift the balance of care from treatment of illness towards maintaining health and wellbeing.

Reform of the Health and Disability system will be a complex programme of work. The New Zealand Health and Disability workforce is the largest single industry employer in the country, employing 8.5% of the workforce (approximately 220,000 FTEs). Vote Health is one of the largest components of Government expenditure, approximately \$20 billion p.a. The last major reforms were twenty years ago when the District Health Boards and Primary Health Care Organisations were established – major changes done now will set the scene for the next twenty years.

On 8 June 2020, the then-Cabinet agreed to the case for reform and to the high-level direction outlined by the Review's Final Report. They also agreed that decisions on individual recommendations would be the subject of future Cabinet papers [CAB-20-MIN-0269 refers].

A substantive multi-year change and reform programme will be required to deliver on the range of legislative, structural and culture change that has been recommended to realise the intentions of the reform and the benefits of a new system. Cabinet is supported by a Ministerial Group of which you are a member<sup>2</sup>.

A Transition Unit was established within the Department of Prime Minister and Cabinet (DPMC) to lead the response to the Review, given the conflicted position of the Ministry. While located in DPMC, the Director of the Transition Unit, Stephen McKernan, who has overall responsibility for the reform work programme, will report to you. The Transition Unit will work with the Ministry of Health and central agencies to advise on the design and delivery of a coherent reform programme to strengthen our health and disability system, building on the direction of travel outlined by the Review.

Cabinet also invited the Minister of Health to establish a Ministerial Advisory Committee to provide input into the work of the Transition Unit and to separately advise the Ministerial Group.

s9(2)(f)(iv)

Cabinet approved a number of priority actions identified by the Ministry of Health that are aligned with the direction of the Review and intends to enter into a Memorandum of Understanding with the Transition Unit to ensure these work programmes are aligned.

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<sup>1</sup> Health and Disability System Review – Final Report – Pūrongo Whakamutunga. Wellington: HDSR

<sup>2</sup> Prime Minister (Chair), Minister of Finance, Minister of Health, Associate Minister of Health

Our health and disability system has good foundations but does not deliver equitable outcomes or sustainable performance.

New Zealand has a health system that performs well by international standards and provides good care for most people. However, there are a range of factors that continue to result in persistent inequities, particularly for Māori. Funding has not kept up with service provision, reflected in part by the fact that District Health Boards (DHBs) have been incurring worsening deficit positions over the past decade. The Review provides a once in a generation opportunity to redesign our public health system to address these issues.

Change is also needed to ensure financial sustainability in the face of growing demand for health care from an ageing population and expanding clinical options, combined with changing expectations about how care is delivered, the role of people in their own care, and the levels of service people anticipate.

The system should also seize the opportunities that COVID-19 has presented and embed the innovation that it has stimulated.

COVID-19 has had a noticeable impact on the way health and disability services are delivered. The response has shown the health system can collaborate, innovate and excel when presented with the right circumstances, settings and incentives. COVID-19 has also exposed some existing weaknesses in the system. These experiences may make the system more amenable to considering change.

COVID-19 has driven rapid adoption of new technologies, more streamlined decision-making at a local level, and changing patterns of consumer behaviour. Key learnings from the COVID-19 response need to be features of the system moving forward.

The Transition Unit is rapidly pursuing the opportunity to achieve equitable outcomes and has commenced options development work.

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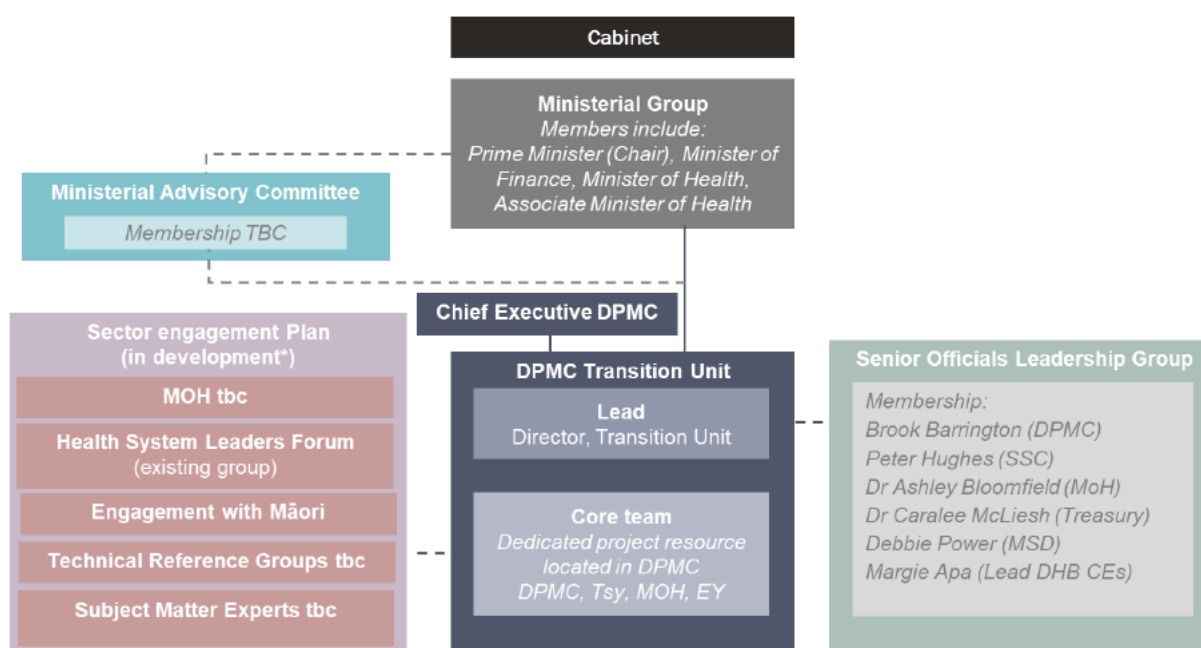
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<sup>3</sup> Tier 1 encompasses a broad range of services and other activities that take place in homes and communities, in marae and in schools, delivering most of the health services that most people need, most of the time. Tier 1 includes, but is not limited to self-care, mental health services, general practice, maternity services, Well Child / Tamariki Ora, outreach services, oral health, community pharmacy services, health coaching, medicines optimisation, district nursing, aged residential care, hauora Māori services, community paramedic services, school based services, home-based care and support, rehabilitation and palliative care. It also includes laboratory and radiology services and other allied health care that takes place outside of hospital, such as podiatry, physiotherapy and dietetics. Most kaupapa Māori services are in Tier 1.

## Governance and reporting arrangements

The Health and Disability System Reform programme is governed and supported by a number of key stakeholder groups, as outlined below.



\* Sector engagement and consultation will be outlined in a Sector Engagement Plan currently in development. Wider sector engagement will commence in November.

Group	Purpose
Ministerial Group	<ul style="list-style-type: none"> <li>Set and steers Transition Unit direction to achieve reform objectives.</li> <li>Provides guidance.</li> </ul>
Cabinet Priorities Committee	<ul style="list-style-type: none"> <li>Monitors progress in its role of considering overall government priorities and major strategic issues.</li> </ul>
Minister of Health	<ul style="list-style-type: none"> <li>Receives updates on Transition Unit progress to ensure no surprises for Cabinet and Ministerial Group.</li> <li>Provides guidance.</li> </ul>
Transition Unit	<ul style="list-style-type: none"> <li>Leads the response to the Review, including delivery of overall work programme, structural design and establishment of new entities, and legislative change.</li> <li>Leads engagement with sector and other agencies.</li> </ul>
Ministerial Advisory Group	<ul style="list-style-type: none"> <li>Receives Transition Unit progress updates, provides advice to Transition Unit and input into papers.</li> <li>Provides independent advice and recommendations to Ministerial Group on Transition Unit deliverables.</li> </ul>
Chief Executive, DPMC	<ul style="list-style-type: none"> <li>Receives Ministerial papers for input, provides advice to the PM via the Policy Advisory Group.</li> <li>An escalation point for Director Transition Unit to support the resolution of issues where required.</li> </ul>

Group	Purpose
Senior Officials' Group	<ul style="list-style-type: none"><li>• Provides whole-of-system advice to the Director, Transition Unit to ensure reform intentions are achieved.</li></ul>
Health and Disability System Leadership Council	<ul style="list-style-type: none"><li>• Receives updates on design and implementation progress</li></ul>

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## **Transition Unit in DPMC**

The Transition Unit leads the response to the Review, including designing an overall implementation plan and work programme, undertaking policy work on structural design and establishment of new entities, and legislative change.

Stephen McKernan the Director, Transition Unit reports directly to the Ministers' Group for delivery of the work programme. Work undertaken by the Ministry of Health aligned with the Review is included in this work programme,

As host of the Transition Unit Brook Barrington, the Chief Executive of DPMC, is accountable to the Prime Minister for delivery of the Transition Unit's functions. This includes resourcing, expenditure, and contract management. DPMC also provides the Prime Minister advice on Transitions Unit proposals via the Policy Advisory Group (PAG).

Staffing for the Transition Unit, hosted by the Chief Executive, DPMC, consists of a Director, and a core team made up of dedicated DPMC, Treasury, Ministry of Health, Te Puni Kōkiri and fixed term contract staff. The team will engage widely with the health and social sector to ensure the design and implementation of proposed changes will be sustainable, achievable and deliver benefits for all New Zealanders. It is also responsible for working with agencies to ensure the perspective of other sectors is reflected in the work of the Review.

# Immediate priorities and decisions

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## New Zealand Health Plan and Charter

The New Zealand Health Plan and Charter will be features of early engagement with the sector and are important mechanisms in building a cohort of leadership around the opportunities the reform presents. The goal of engaging with the sector and other groups is to ensure that the Transition Unit's advice reflects the reality of practice on the ground.

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## Financial management of DHBs

You will be provided with advice on how to manage the operational risks of change alongside managing current challenges, including on how to strengthen the financial management of DHBs and options for engagement.

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### **Alignment across portfolios**

The Ministry of Health has identified a number of priority actions that are aligned with the direction of the Review and are progressing these in parallel, these include:

- a. actions to strengthen the functions and capabilities of the Public Health Units to respond to the immediate challenges from COVID-19.
- b. ensuring the performance and financial sustainability of District Health Boards (DHBs), through a robust, centrally-driven approach that encourages system-wide ownership of outcomes
- c. implementing the Government's response to He Ara Oranga (the Mental Health Inquiry).

The Transition Unit and the Ministry of Health will enter into a Memorandum of Understanding to align their work programmes.