



Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of Hon Andrew Little, Minister of Health:

Health and Disability System Reform Briefings October 2021 to January 2022

The following documents have been included in this release:

Title of paper: Health Reforms: Realising the Digital Shift for the Health System

Title of paper: Development of the Interim Government Policy Statement for the Reformed Health and Disability System

Title of paper: Further advice on the Interim Government Policy Statement - Priorities for Inclusion

Title of paper: Health Reform: Choices to Expand the Public Offer

Title of paper: Health Reforms: Public Health Transformation

Title of paper: Health Reforms: Addressing Workforce Supply and Demand

Title of paper: Localities: Setting a Narrative, and Updating on Rollout and Prototypes

Title of paper: Further Advice on the Interim Government Policy Statement – High Level Approach to Priorities

Title of paper: Monitoring Arrangements for the New Health System

Title of paper: Restructure of Vote Health Appropriations to Support Health Reforms

Title of paper: Health Reform – Progress Update and Assurance Framework

Title of paper: Update on the Pae Ora Bill: Select Committee Progress and Further Policy Decisions

Title of paper: Pae Ora Bill: Key Policy Decisions for Recommendation in the Departmental Report

Title of paper: Allocation of Commissioning Budgets Across Future Health Entities

Title of paper: Health Reform: Transfer of Functions from Ministry of Health to New Entities

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- section 9(2)(g)(i), to maintain the effective conduct of public affairs through the free and frank expression of opinion.

Memorandum

Development of the interim Government Policy Statement for the reformed health system

Date due to MO: 8 October 2021 **Action required by:** 15 October 2021

Security level: ~~IN CONFIDENCE~~ **Health Report number:** 20212157

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DPMC-2021/22-451

To: Hon Andrew Little, Minister of Health
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Purpose

- 1 This memo provides you with information on the development of the interim Government Policy Statement (GPS) for the reformed health system, led by the Ministry of Health (the Ministry) in partnership with the Transition Unit (TU).
- 2 It also seeks your direction on key aspects of the GPS which will affect its role as a direction-setting document for the new system.

Executive Summary

- 3 The GPS will act as the Government's new primary lever for specifying multi-year national direction, including priorities and objectives, for the reformed health system in line with the New Zealand Health Strategy. The GPS will also set monitoring and accountability settings for Health NZ, the Māori Health Authority (MHA) and other Crown entities within the reformed system.
- 4 The interim GPS will set out your objectives for the two-year transition period of reform from July 2022. This will be a period of significant change within the sector as the new entities assume their roles and responsibilities, and the sector adjusts to new ways of working. The interim GPS provides you the opportunity to embed new ways of working in the system from Day One, while putting in place early priorities for service and outcome improvements that demonstrate the opportunity of the reforms.
- 5 There are a range of key decisions to be made on what the interim GPS will contain and how it will interact with and be reflected in the interim NZ Health Plan. This memo details these decisions and provides our recommendations. It also sets out an indicative timeline for development of the interim GPS.

Background

- 6 Cabinet has agreed that in the reformed health system, the Minister of Health (the Minister) will issue a GPS that will set expectations and system direction for a multi-year period [CAB-21-MIN-0092 refers].
- 7 The GPS will be the means through which direction-setting, planning and funding cycles are aligned in the future system. It will set parameters for system and service planning and specify the total funding available to the health system over the period (as agreed at Budget, for which timescales will be designed to be complementary).
- 8 The GPS will set the measures driving monitoring and accountabilities in the new system. As such, Health NZ, the MHA and other Crown entities operating across the sector will be accountable to the direction set in the GPS. There is an opportunity for the GPS to specify your expectations for funding allocations. The GPS will also set principles which inform how entities design and deliver their functions. It will set expected areas of focus, actions and deliverables to achieve Government's objectives for the health sector for a three-year period.
- 9 **Appendix One** provides an overview of the reformed health system and where the first GPS (interim GPS) fits. **Appendix Two** provides an indicative timeline outlining key deliverables across interim GPS, interim NZ Health Plan, and Budget and funding workstreams.

An interim GPS will be in place between 1 July 2022 and 30 June 2024

- 10 The Ministry of Health will routinely lead the development of the GPS in the future, in collaboration with the entities it monitors and with engagement of stakeholder groups as necessary. The TU will support the development of the interim GPS.
- 11 The interim GPS will be in place by 1 July 2022. It will align with the proposed multi-year Vote Health Budget timeframes, shape the interim NZ Health Plan, and cover the first two years of the new operating model from 1 July 2022 to 30 June 2024.
- 12 The interim GPS will set out your objectives for the two-year transition period of reform from July 2022. This will be a period of significant change within the sector as the new entities assume their roles and responsibilities, and the sector adjusts to new ways of working. The interim GPS provides you with the opportunity to embed new ways of working in the system from Day One, while putting in place early priorities for service and outcome improvements that demonstrate the opportunity of the reforms.

The interim GPS and interim NZ Health Plan will establish the foundation of the accountability framework for the system

- 13 The NZ Health Plan will be the vehicle for Health NZ and the MHA to respond to the direction set in the GPS. It will be the main accountability document for these entities, establishing delivery intentions for the coming three-year period. The NZ Health Plan will include a long-term health service view, national service requirements and specifications. It will underpin the basis on which Health NZ and the MHA are monitored, and both entities will be required to report annually on its delivery.
- 14 The interim GPS will play an important role in ensuring that every aspect of the new system is captured by setting out expectations for what data is collected and the frequency with which it is reported on. It will set out technical detail to support the operation of the system and give effect to Ministerial decisions, including annexing minimum expectations for service coverage, eligibility and other operational settings. This feature of the interim GPS will support the Ministry, Health NZ and the MHA to monitor progress in the new health system, and address risks as they arise. This will ensure more timely and proportionate intervention than has previously been available.
- 15 We are drawing together existing evidence and data on the determinants of health and current health system outcomes and needs, for example from the *New Zealand Burden of Disease Study* and the *Health and Independence Report*, to inform analysis and advice on priorities and potential areas of emphasis. This will also underpin the development of an indicator and outcome framework, and data and reporting requirements.
- 16 The interim GPS is also an opportunity to set out expectations for some of the more technical aspects of funding and investing, to support consistency within the health and disability system and, importantly, across Government, including benefit measurement, discount rates, treatment of overhead costs, and the period over which returns are assessed.
- 17 From the third year of the reformed system (i.e., July 2024), the "full" NZ Health Plan will set multi-year, fully costed plans for health services, giving effect to the requirements and expectations in the relevant GPS. For the first two years, the interim NZ Health Plan will similarly support the transition to and consolidation of the reformed system and will have a strong focus on initial priority areas, including the five system shifts. It will also include a workplan to identify the key steps toward development of the first full NZ Health Plan (in

2024/25). You have recently received advice from the TU on the approach to the interim NZHP [DPMC-2021/22-272].

Your direction is required on key decisions for the interim GPS

- 18 The GPS for the health system will be a bespoke document designed for the needs of the health context. There are a range of key decisions to be made on what the interim GPS will contain and how it will interact with, and be reflected in, the interim NZ Health Plan. The following section details these decisions and provides our recommendations.
- 19 We would welcome an opportunity to discuss options for these decisions with you during October 2021.

Balance between high-level direction setting and specific priorities

- 20 The interim GPS will need to set a system-wide direction for the health system that informs planning and decision making across a broad range of topics. The five key shifts for the reformed system agreed by Cabinet [CAB-21-MIN-0092 refers] will provide a useful framework for this direction-setting, and effectively respond to the issues and challenges identified in the Health and Disability System Review. The five key shifts are:
 - 20.1 the health system will reinforce Te Tiriti principles and obligations
 - 20.2 all people will have access to a comprehensive range of support in their local communities to help them stay well
 - 20.3 everyone will have access to high-quality emergency or specialist care when they need it
 - 20.4 digital services will provide more people with the care they need in their homes and communities and
 - 20.5 health and care workers will be valued and well-trained for the future health system.
- 21 We expect that high-level direction setting through the GPS will need to be balanced with detail on your expectations for the delivery of specific priorities. For example, you may wish to set more detailed priorities relating to mental wellbeing, or specific requirements around kaupapa Māori services, and the COVID-19 response. There will be cases where both high-level directions and more specific deliverables are required on the same topic to reflect Ministerial priorities. In other cases, there will be a choice to make on the level of detail which the GPS includes and how far it seeks to direct the actions or activities in the NZ Health Plan.
- 22 The Health System Indicators framework released by the Government in August 2021 is a set of 12 national indicators of performance that focus on areas where improvement is needed, which has been developed by the Ministry in collaboration with the Health Quality & Safety Commission (HQSC). We recommend aligning the high-level direction setting in the interim GPS to the five key shifts listed above and leveraging the existing list of Health System Indicators when developing detailed expectations for system performance. We will provide further joint advice to you on the future monitoring framework in due course.

Prescription versus flexibility for entity structures and processes

- 23 The focus for the health system over the first two years of reform will be a challenging combination of establishing new structures and processes, bedding in new approaches to planning and monitoring, and continuing to deliver and improve critical services. The

interim GPS will need to set the direction for Health NZ and the MHA to establish their structures and processes as they settle into their roles in the reformed system.

- 24 One approach would be for the interim GPS to contain defined timeframes for establishing structures (such as defining locality membership and boundaries) or expectations for processes (such as engagement with communities). Alternatively, the interim GPS could take a more flexible approach by stating a desired outcome and permitting board flexibility on how and when that outcome is delivered.
- 25 We also see an opportunity for the interim GPS to include expectations for entity performance in delivering specific funded initiatives, based on priorities identified by the Government at a greater level of detail than would be set out at the appropriation level.
- 26 There are benefits and drawbacks to taking a prescriptive approach to direction setting in the GPS. The most notable drawback would be the impact to boards' autonomy to make decisions they see as optimal over the period. Greater prescription may reduce the boards' ability to allocate flexibly within, and across, outputs.
- 27 On the other hand, prescription in certain areas may be appropriate, where the Government has identified key reform activities or outcomes that it expects to be achieved by 2024, or where they relate to specific Budget initiatives. We recommend a balanced approach be taken with boards having the flexibility to determine their own processes as much as possible and a more prescriptive approach employed for specific Government priorities.

Consolidating existing direction-setting documents into the GPS

- 28 As an overarching direction-setting document, the interim GPS, and future versions of the GPS, will provide an opportunity to consolidate elements of existing documents that are used to communicate Government expectations and priorities for the health system, such as Crown funding agreements and the operational policy framework (OPF).
- 29 The New Zealand Health Strategy is based on the health system as it is today, and so does not yet reflect the direction set by reforms. The interim GPS could therefore be based on the direction set out in Cabinet decisions, setting an expectation that a new NZ Health Strategy will be created by the Ministry when the Health System Bill is passed. We recommend that the interim GPS uses the Cabinet decisions rather than the current health strategy as the high-level strategic direction for the interim GPS.
- 30 From 2024, annually set Letters of Expectation (LOEs) between the Minister and Health NZ and the MHA are intended to be replaced by the GPS, although there may be occasions where you still choose to make use of this as a lever to signal more discrete, short-term priorities, or addendums to the GPS.
- 31 We recommend that the interim GPS is used to consolidate as much direction-setting as possible and we will provide you with detailed advice on how this can be achieved when you review the initial draft of the interim GPS.

Engagement and consultation on the draft interim GPS

- 32 The development of the Transport GPS and the Housing and Urban Development (HUD) GPS offer potential models for the interim GPS. The Transport GPS used a short process, while the HUD GPS used a much longer timeline for development. This follows from the differences in legislative requirements: the HUD GPS requires consultation to be undertaken while the Transport GPS does not.

- 33 The Transport GPS was designed with a top-down approach, while the HUD GPS process takes a co-design approach. The recently published HUD GPS has included public consultation, with the publishing of a detailed discussion document (in both Te Reo Māori and English).
- 34 The draft Health System Bill is broad in its direction about this. Section 37(2)(b) in the draft Bill sets out that in developing the GPS the Minister “consider undertaking engagement with organisations and individuals that the Minister considers appropriate.” This creates choices for the development process of the interim GPS. For example, one choice is to engage publicly beyond the interim Health NZ and the interim MHA, time permitting, with a short, yet targeted engagement with key stakeholders that the Ministry can readily access through its existing networks.
- 35 Alternatively, you may wish to lead engagement on the draft GPS with key stakeholders in early 2022 as part of wider engagement planned on the health system reforms.
- 36 We note that there is extensive material from the Health and Disability System Review that can be used to inform the interim GPS. Therefore, widespread public engagement would generate limited returns in the time available. We will provide advice on options for consultation in future updates on the interim GPS.

Funding arrangements also have an impact on the content of the interim GPS

- 37 The funding arrangements for the land transport sector are via the Land Transport Levy while the housing and urban development sector relies on the Budget process. The differing approaches to the respective Ministry of Transport and HUD GPSs dictate the content and approach to funding taken in the GPS. Work on the clarifying the budget funding and settings is underway and shortly will be considered by Social Wellbeing Committee. Once finalised we will ensure that these decisions are incorporated into the structure of the interim GPS.
- 38 We would like to discuss the choices and trade-offs that these differing approaches can contribute to the development of the interim GPS.

Alignment of the interim GPS with the wider reform policy context

- 39 The interim NZ Health Plan will give effect to the interim GPS, Budget settings and system accountability. For the first set of documents in place for 1 July 2022, the development will take place concurrently. As the draft interim GPS is iterated over the coming months, it will incorporate input from the interim boards and other stakeholders. The interim GPS will set out the overall funding allocations for Health NZ and the MHA based on Budget 2022 decisions. It will need to specify clear expectations that those entities will deliver their priorities within budget, and otherwise set requirements for how they manage their funding and what reporting is required.
- 40 The Ministry and TU will coordinate to ensure close alignment across the work programme. There are several dependencies between development of the interim GPS and the wider reform policy work programme. These dependencies include:
- 40.1 the Health System Bill that enacts the GPS
 - 40.2 the interim NZ Health Plan which gives effect to the GPS
 - 40.3 Budget 2022 – Vote Health which establishes funding parameters

40.4 the Health System Indicators framework which will be an important part of the monitoring framework.

41 Further information on dependencies is set out in **Appendix Three**.

Managing Interdependencies

42 There is an important relationship between the interim GPS, interim NZ Health Plan and the Budget, which will be developed in parallel. The interim GPS will become the mechanism binding these together. Over the coming months we need to ensure there is a two-way relationship with the interim GPS and the Budget that allows for the capture of Budget decisions and lines up the narrative on the priorities and specifics in the interim GPS.

43 Similarly, for the interim NZ Health Plan we expect the development with the sector to raise several proposals for early priorities for improvement. These bottom-up ideas can be included in the interim GPS to ensure alignment with the top-down requirements that the interim NZ Health Plan needs to give effect to.

44 There is a range of ongoing policy work needed to give effect to policies in the interim GPS. This means aligning the timetable for delivery to incorporate aspects such as defining the monitoring framework (roles and responsibilities of agencies), the indicator/outcome framework, the reporting requirements, minimum service expectations (i.e., future service coverage schedule), and business and financial rules as a minimum. Ministers will make decisions on these system-level settings in due course.

45 There is also a dependency with the system design work being done by the interim entities on their operating models, but also on their commissioning frameworks and other operational aspects. For these operational aspects you will need to decide whether, and how far, the interim GPS sets Ministerial expectations to help shape them, or whether they are left to the interim entities. We will provide further advice as the interim entities develop their work programmes.

Risks and mitigations

46 Mitigation of risks relating to these dependencies will involve ensuring that Budget decisions and related requirements are reflected in the interim GPS as they are taken. This will involve an ongoing process of tandem development of the interim GPS alongside the Budget development process. Other interrelated aspects around the interim NZ Health Plan, accountability and monitoring and reporting frameworks can also be managed through careful coordination.

47 We are confident that the relationship between the interim GPS and the development of a top-down and bottom-up interim NZ Health Plan can be managed and reflected in the interim GPS as drafting proceeds.

Timeline and next steps for developing an interim GPS

48 We will prepare a draft of the interim GPS for discussion with you by mid-November 2021. Following your review and feedback we will prepare a draft for consultation with the interim boards.

49 We have provided a draft table of contents in **Appendix Five** that outlines a proposed framework and content for the interim GPS.

50 The timing of the next steps for the interim GPS are:

- 50.1 First draft interim GPS to Joint Ministers – 15 November 2021
- 50.2 (Subject to your approval) Briefing to interim boards on the first draft interim GPS – 29 November 2021
- 50.3 Prepare second draft interim GPS - 31 January 2022
- 50.4 Seek final Ministerial feedback - 7 February 2022
- 50.5 Final interim GPS draft - 28 February 2022
- 50.6 Briefing to Joint Ministers - Final interim GPS for approval - 31 March 2022.
- 51 More detail on the proposed timeline is attached in **Appendix Two**.
- 52 The timeline will be adjusted depending on your decisions on the approach you want to take to engagement, with the possibility of targeted engagement on the draft during February 2022.
- 53 We expect that a final draft of the interim GPS will be ready for you to provide to Cabinet by 31 March 2022. The interim GPS will be finalised following Budget 2022. Once approved, we will support you to issue the interim GPS publicly on the Ministry's website.

Recommendations

We recommend you:

- a) **Note** that the interim GPS is key to the two-year transition of the reformed health and disability system, setting the short-term strategic approach and priorities for Health New Zealand, the Māori Health Authority and the new system **Yes/No**
- b) **Note** that your direction is required on key decisions for the interim GPS, and we will be available to discuss options for these decisions with you during October 2021 **Yes/No**
- c) **Agree** to align the high-level direction setting in the interim GPS to the five key shifts agreed by Cabinet **Yes/No**
- d) **Agree** that the interim GPS uses the existing Cabinet decisions rather than the current NZ Health Strategy to set the high level strategic direction for the new health system **Yes/No**
- e) **Agree** in principle to leverage the existing list of Health System Indicators when developing detailed expectations for system performance in the interim GPS **Yes/No**
- f) **Agree** the interim GPS should enable boards to have the flexibility to determine their own operating model, processes and ways of working as much as possible, but that you may wish to define some specific expectations on these pending their development work over the coming months **Yes/No**
- g) **Agree** the interim GPS will support a more prescriptive approach when setting expectations for specific Government priorities **Yes/No**
- h) **Agree** in principle that the GPS should be used to consolidate as much direction-setting as possible **Yes/No**
- i) **Agree** to discuss your preferred approach to engagement on the draft interim GPS with sector stakeholders in early 2022 **Yes/No**

- j) **Note** that the first draft of the GPS will be sent to you by 19 November 2021 **Yes/No** for your feedback and approval to send the initial draft to the interim Boards for comment on 30 November 2021.

pp:



Robyn Shearer

Acting Director-General of Health

Date: 08/10/2021



Stephen McKernan

Director

Transition Unit

Date: 08 / 10 / 2021

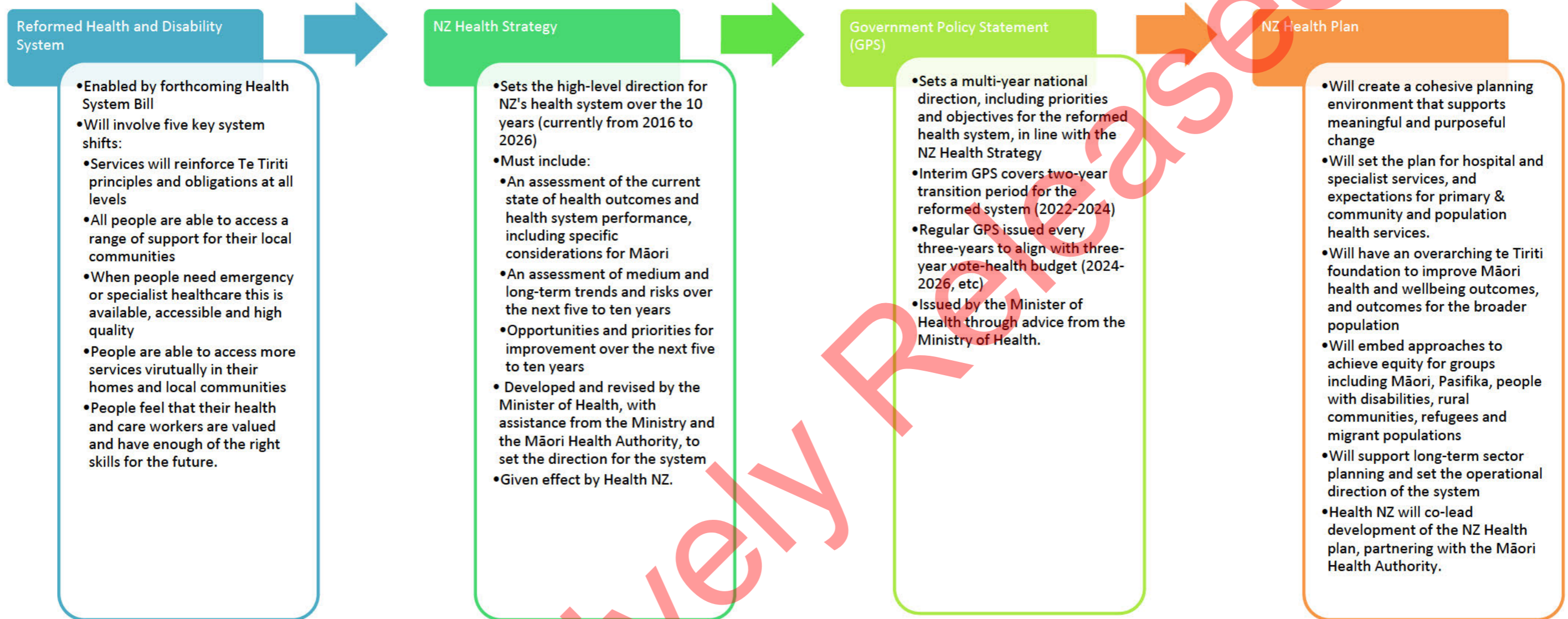
Hon Andrew Little

Minister of Health

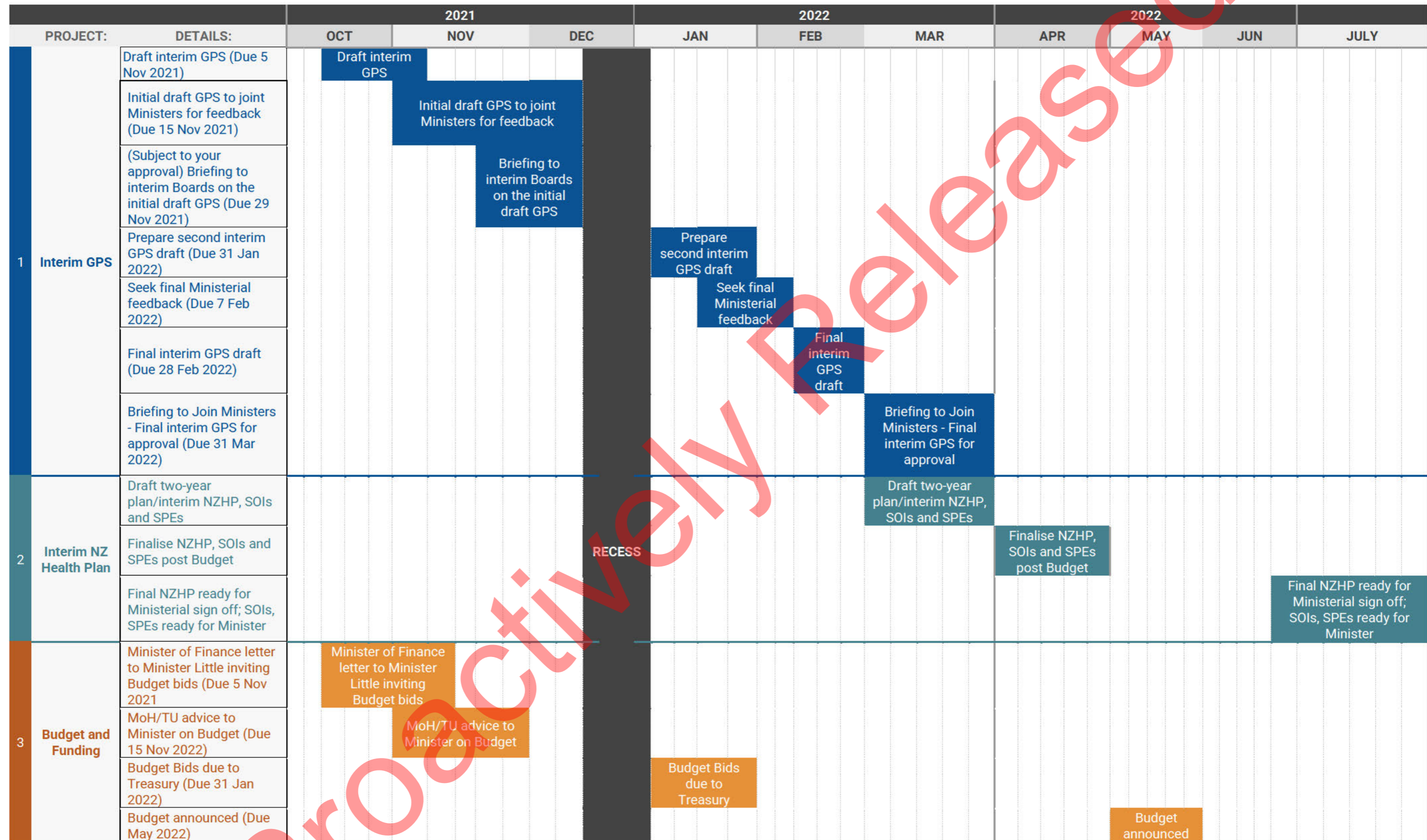
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Appendix One: Overview of the Reformed Health and Disability System



Appendix Two: Timeline for GPS and related workstreams



*Timeframes are indicative and may change as further planning occurs across respective workstreams

Appendix Three: Further information on Land Transport and Housing and Urban Development GPSs

Land Transport GPS

1. The Ministry of Transport's GPS is enabled through legislation in the Land Transport Management Act 2003 (see section 66 to 71).¹
2. Previous Transport GPSs have stated a clear framework that outlines five key distinct outcomes including:
 - a. Inclusive access
 - b. Health and safe people
 - c. Environmental sustainability
 - d. Resilience and security
 - e. Economic prosperity.
3. While the detail of each outcome is unique to the transport sector, these high-level outcomes overlap with long-term health sector goals.
4. As the Transport GPS is required to be reviewed every three years, key Government policies that overlap with the Ministry of Transport's long-term goals are incorporated into the latest GPS. For example, in the 2021 Transport GPS, the Carbon Neutral Government Programme (CNGP) was incorporated as it aligned with the Ministry of Transport's GPS framework.
5. The CNGP is a long-term programme that aims to make Public Service Departments, Departmental Agencies and Non-Public Service Departments carbon neutral by 2025. This might be incorporated into the interim Health GPS. Further environmental sustainability policies and programmes might also feature in future Health GPSs.
6. The 2021 Transport GPS included four key strategic priorities over the next 10 years (the normal scope of the GPS). As noted above, the interim Health GPS will only cover the next two years and so may be based on existing priorities.
7. It is difficult to compare Transport's GPS to other GPSs but compared to other high-level government documents such as Defence's Strategic Defence Policy Statement, Transport's GPS is substantially more prescriptive and detailed.

Housing and Urban Development

8. Under Section 22 of the Kāinga Ora – Homes and Communities Act 2019, the Minister of Housing and Urban Development (HUD) must issue a GPS no later than 1 October 2021. HUD published a discussion document to support their GPS consultation in June 2021 which provides a good indication of what the final GPS is likely to contain.

¹ See page 9 of <https://www.transport.govt.nz/area-of-interest/strategy-and-direction/government-policy-statement-on-land-transport/>

See Part 3 Section 66 to 71 of

https://www.legislation.govt.nz/act/public/2003/0118/latest/DLM227577.html?search=sw_096be8ed81ab5f3a_governme nt+policy+statement_25_se&p=3

9. In relation to the HUD GPS, the Kāinga Ora Act:
- a. explicitly states the purpose of the GPS, which is to set the Government's direction for housing and urban development, and inform the decisions and activities of agencies involved
 - b. requires consultation to be undertaken when the GPS is being prepared or reviewed
 - c. requires the GPS to be reviewed at least every 3 years, similarly to the Transport GPS
 - d. specifies content that the GPS must include. However, the requirements appear less prescriptive than the Transport GPS.
10. HUD's discussion document sought public feedback on the key elements of the GPS, however, the interim Health GPS may not need to build a full consultation process in the same way. The HUD discussion document sought views on the intended role of the GPS; HUD's proposed vision, outcomes, focus areas, and ways of working. In our case, Cabinet has already agreed the five key system shifts and priorities which will make up the key elements of the GPS.
11. In terms of the HUD GPS role and interdependencies, HUD states that they intend for the GPS to sit alongside specific implementation plans (e.g., Māori Housing Strategy, Homelessness Action Plan) and other sector strategies (e.g. GPS Land Transport, Healthy Homes Initiative). They also anticipate that the implementation plans will be updated more frequently than the GPS, to reflect changing needs.² The Health GPS will similarly need to align with other key strategies and plans.

² Refer page 8, <https://www.hud.govt.nz/assets/Urban-Development/Government-policy-statement-GPS/GPS-Discussion-document-HUD-6.pdf>

Appendix Four: Dependencies

Dependency	Impact of GPS Development	Who
Health System Bill	Enacts and enables the GPS.	Select Committee
Budget 2022 – Vote Health	Requires alignment and enables the GPS.	Cabinet
NZ Health Strategy, and strategies for Hauora Māori, Pacific health and the health of disabled people	Requires replacement or alignment.	Ministry, Interim Health NZ, and interim Māori Health Authority
NZ Disability Strategy	Requires alignment.	Cabinet
Interim NZ Health Plan	Gives effect to GPS. Noting that the interim NZ Health Plan will be developed in parallel to the GPS.	Transition Unit, interim Health NZ and interim Māori Health Authority
Health System Indicators framework	Requires alignment. The initiatives in the interim GPS will need to be monitored using this recently announced framework.	Ministry
Advice on monitoring and reporting framework in the reformed health system	Measures outlined in GPS will need to align with advice on wider monitoring and reporting framework.	Ministry, Transition Unit
Advice on funding settings in the reformed health system	GPS will need to align with advice on funding settings, such as potentially ring-fenced funding or inputs.	Ministry, Transition Unit

Appendix 5 is withheld in full under section 9(2)(g)(i) of the Act