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 February – June 2022

The following documents have been included in this release:

Title of paper: Policy Decisions for Pae Ora Bill Departmental Report: Talking Points

Title of paper: Health Reforms: Quality Functions in the Future System

Title of paper: Progress on Health System Functions Transfer

Title of paper: Health Reforms: Policy Critical Path to Day 1

Title of paper: Health Reforms: Key Policy Decisions and Delegation

Title of paper: Implementing the Intervention Framework for the Reformed Health System

Title of paper: Health Research in the Future System

Title of paper: Progress Update on Public Health Transformation Programme

Title of paper: Pae Ora Legislation Committee Report

Title of paper: Supplementary Order Paper for Pae Ora (Healthy Futures) Bill

Title of paper: Update on the Transfer of Functions from Ministry of Health to New Entities

Title of paper: Appendices to the Interim Government Policy Statement

Title of paper: Health Reforms: Role of Localities in the Reformed System

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DEPARTMENT OF THE PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Briefing

UPDATE ON THE TRANSFER OF FUNCTIONS FROM MINISTRY OF HEALTH TO NEW ENTITIES

To: Ministerial Group on Health and Disability System Reform; Hon Chris Hipkins, Minister for Public Service; Hon Ayesha Verrall, Associate Minister of Health; Hon Aupito Sio, Associate Minister of Health

Date	6/05/2022	**Priority**	Routine
Deadline	9/05/2022	**Briefing Number**	DPMC-2021/22-2113

Purpose

This briefing updates you on the transfer of functions and full-time equivalent staff (FTEs) from the Ministry of Health (the Ministry) to interim entities.

You agreed to an overall transfer plan and broad suite of functions to transfer from the Ministry at your meeting in February 2022, which outlined a plan to transfer staff and functions in multiple tranches before 30 June 2022 [DPMC-2021/22-1221]. The first tranche of transfers occurred on March 1; the proposed transfers outlined in this briefing are a second tranche which will complete the transfers outlined in the transfer plan.

Recommendations

1. **Note** that as per your agreement, officials from the Transition Unit, Ministry of Health, iHNZ and iMHA have been progressing the transfer plan with the first tranche of transfers completed on 1 March 2022.

2. **Note** that iHNZ and the iMHA have been working at pace to develop their internal operating models, and receiving functions ahead of new legislation coming into effect has supported the design of their organisations for day 1 and beyond.

3. **Note** that the transfers outlined here have previously been referred to as tranches two and three, but have been merged into a single tranche of transfers to reduce the change impacts on staff and entities.

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Transfer of Tranche 2 Functions

4. **Note** that the majority of the transfers in tranche 1 were of whole teams or functions that moved intact to a receiving entity, whereas the functions in tranche 2 will be conducted across the system by multiple entities in the future system, and the Transition Unit, Ministry, iHNZ and iMHA have worked together to arrive at agreed functional areas and staff to transfer that align with the future entity roles.

5. **Note** that approximately 400 FTEs will transfer from the Ministry with following functions and accountabilities in tranche 2:

a) Workforce intelligence, planning and commissioning

b) Audit and compliance of health sector funding

c) Quality assurance and safety

d) Mental health programmes and operational policy

e) National commissioning and planning of primary and community services

f) Population and public health programmes, including screening and immunisations

g) Health infrastructure investment strategy and business case review

h) Nationwide service frameworks and specifications

i) Some data and digital functions, including security, national collections and reporting and data governance

j) Some resourcing to support corporate and Ministerial servicing functions

6. **Note** that most of the above functions transferred on May 1 and the rest will transfer on 1 June, to accommodate necessary time for change processes, or to support additional design time.

7. **Note** that the MHA will need to significantly transform or build new functions and ways of working that do not exist at scale in the current system, and as such is still developing a view on how it will operationalise its future functions, and the capacity and capability required to give effect to them.

8. **Note** that given the reason noted in recommendation 7, the functions noted in 5 will transfer to iHNZ in the first instance, with the view that subsequent transfers will occur from Health NZ to the Māori Health Authority (MHA) shortly after 1 July once the iMHA has further clarity on resourcing and capability requirements, and that the implications for employee change processes have been worked through.

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9. **Note** that Ministry, iHNZ and iMHA officials are working closely on the transfer of COVID-19 functions and will brief you on this separately.

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TE TARI O TE PIRIMIA ME TE KOMITI MATUA

UPDATE ON THE TRANSFER OF FUNCTIONS FROM MINISTRY OF HEALTH TO NEW ENTITIES

Context

1. You agreed to an overall transfer plan and broad suite of functions to transfer from the Ministry at your meeting in February 2022, which outlined a plan to transfer staff and functions in multiple tranches before 30 June 2022 [DPMC-2021/22-1221]. As noted in your previous advice, early transfers of functions ahead of new legislation coming into effect has been a key component of implementing the new system operating model. It enables the new entities to test their internal management and governance structures ahead of inheriting their full suite of functions from 1 July. Early transfers have also enabled the new entities to progress the design of their future functions and operating models at pace, by getting across the day-to-day business of these functions and building consolidated teams that will come together from multiple parts of the sector.

2. The first tranche of transfers occurred on 1 March 2022 for the following functions and FTEs:

   a) To iHNZ: 300 – 320 FTEs

      i) Health infrastructure

      ii) Employment relations

      iii) Pacific health commissioning

      iv) Some components of DHB performance monitoring and support (acute demand and system flow)

      v) Some data and digital infrastructure and planning

   b) To iMHA: 66 FTEs

      i) Māori health commissioning

      ii) Policy

      iii) Other positions to support establishment, including vacancies that could be repurposed.

3. Tranche 1 has provided some lessons for the Ministry and new entities about the arrangements that help to smooth the transition of staff and functions. For the most part the transfer of functions and associated accountabilities in tranche 1 was smooth and without complications. For some functions, such as health infrastructure and employment relations, where there are high risk priorities underway, the Ministry and iHNZ have worked closely to ensure continuity and actively managed risks together. Leading into tranche 2, the Transition Unit, Ministry, iHNZ and iMHA reviewed what had gone well in tranche 1 and what could be

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improved, to ensure each of the entities were prepared for the more complex transfers in tranche 2.

4. In addition to the transfers, the Ministry has been supporting the establishment of the entities via support specified in their Departmental Agency Agreements, and secondments of key staff to help set up ministerial servicing, corporate and policy functions.

Transfer of functions to the interim Māori Health Authority

5. In the transfer plan outlined to you in February, it was indicated that some national commissioning and planning services may be transferred to the iMHA in this tranche. However, as officials carried out detailed functional design work to map the roles, they came to the agreement that it would not be optimal to transfer teams to the iMHA at this time. Whilst Health NZ's future role will largely be a continuation of commissioning and planning work currently undertaken by the Ministry and district health boards, the future MHA role will be one that is relatively new to the system, at least at the scale envisaged w, so it is neither possible nor necessarily appropriate to build it with capability extant in the Ministry.

6. The MHA's role in the new system will span both strategy and policy development for Māori outcomes in partnership with the Ministry, to act as lead commissioner for kaupapa Māori services, and be a strong co-commissioner of primary and community services with Health NZ. A key driver of the reforms was to implement a different system approach to working in partnership with Māori, and to deliver services in new and innovative ways to achieve equity for Māori. The MHA will need to design functions that give effect to these aspirations, and in some cases this will mean functions and processes need to look very different to how they are done in the current system.

7. The iMHA has made considerable progress, alongside iHNZ, in designing the future operating model and the organisation of its functions. However, putting in place capability to deliver on this wide remit is not a straightforward process. Because many of its functions will look new for the system, it will take more time to determine what capability is required in the MHA than it will for Health NZ and the Ministry. In order to move forward with the transfers, the iMHA has agreed with iHNZ and the Ministry to delay receiving transfers from the Ministry and that all transfers will go into Health NZ in the first instance. This is a temporary measure until there is more detail on how iMHA can most optimally give effect to its future functions, both in terms of the capacity and capability it will need and the way in which it will partner with Health NZ and the Ministry.

8. Following further operating model design work, it is likely that functions and staff will transfer to MHA after 1 July, at a time where MHA leadership and stakeholders are confident they will support their vision for the MHA's role in the future system. In line with MHA's focus, these are likely to include functions related to primary and community care, public and population health, mental health and addiction, and health workforce. We anticipate that subsequent transfers between Health NZ and the MHA will also include transfer of some functions and teams currently housed in district health boards, and the timing of these will be aligned to the October Baseline Update as much as possible.

Tranche 2 Transfers

9. As mentioned above, we have used lessons learnt from tranche 1 transfers to inform our approach to the second tranche of transfers. We designed our approach to ensure that transfers are successful, which in this case will look like effective continued delivery of

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existing work programmes, supporting transferring and remaining staff, and establishing organisations for best chances of success in the new system.

10. Tranche two transfers have been executed in two phases. The first was a design and discovery phase, which has led to the development of this advice and ultimately the agreement across the Director-General and chief executives of the interim entities regarding the number of FTEs and specific teams to transfer. The second phase is the implementation phase, which is in progress, and involves the detailed change management processes and hand over of work programmes.

11. There are ten functional areas that are included in the second tranche of transfers. These are:

    a) Workforce intelligence, planning and commissioning

    b) Audit and compliance

    c) Quality assurance and safety

    d) Mental health programmes and operational policy

    e) National commissioning and planning of primary and community services

    f) Population and public health programmes, including screening and immunisations

    g) Health infrastructure investment strategy and business case review

    h) Nationwide service frameworks and specifications

    i) Some data and digital functions, including security, national collections and reporting and data governance

    j) Some resourcing to support corporate and Ministerial servicing functions.

12. Across the above functions, approximately 400 FTE will transfer to iHNZ, with some of these FTEs intended to transfer to the MHA at a later point pending further organisational design work.

13. A significant number of staff transferred to iHNZ on 1 May, and the remainder will transfer on 1 June with a few exceptions. A small number of corporate roles will transfer post 1 July when financial year end processes have been completed. The staff supporting the End of Life Choice and abortion reform services will transfer to Health NZ on 1 March 2023, after a one year post establishment evaluation of the new services due to be conducted in November 2022. The Transition Untiis facilitating cross-agency working groups with a focus on implementation and change to ensure that the timelines are met where practicable.

14. There are a small number of areas where detailed design work is continuing at pace and final decisions on the number of FTEs to be transferred are still to be taken. These areas are emergency management, and strategy and policy functions for healthy ageing, mental health and addictions and workforce. Entities are continuing to work together to clarify the future operating model for these functions, and to reach agreement on transfers.

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National data collections

15. Decisions around the transfer of national data functions have been taken with the future state of the system in mind. While national collections and associated staff and resourcing will transfer to iHNZ, national data will be treated as a system asset and will therefore be hosted by Health NZ on behalf of the system, with a common and cohesive approach to governance applied.

16. The Ministry, iHNZ and iMHA have established a cross agency governance group that is developing a tripartite agreement across the entities with respect to how data will be governed, managed, accessed and used across the three national entities in the future system as part of a 'tripartite agreement'. This is designed to be a deliberate principles-based governance model, reflecting common and shared interests and ensure efficient and effective governance, stewardship, management and use of national data assets. The agreement will:

    a) describe the 'in scope' national data and digital assets; establish overarching partnership principles;

    b) establish agreement to ongoing access and use of existing national data assets;

    c) outline how the organisations will drive the future model for health data at a system level; and

    d) identify what each organisation is responsible for.

17. It is intended that the agreement will embed Māori Data Sovereignty into the governance and practice, and be given effect by a Shared Services Agreement(s) that defines the mandate, operating model / working arrangements, services and resourcing.

Consideration of risks

18. The transfer of functions from the Ministry to interim Health NZ may pose a risk to the delivery of in-flight projects. However, this risk is being carefully managed as the Ministry and interim Health NZ will continue to work closely over the coming months to ensure stability and continuity of work.

19. Officials from the Ministry have developed transfer discovery documents that articulate the current state of functions including teams, FTEs, work programmes and any key risks. This information is being used in the cross-agency working groups for each function to agree the appropriate agency to carry out each role in the new system. Where functional areas are split across entities, joint working arrangements have been agreed to ensure cohesiveness and effectiveness in delivery. This will be supported by colocation and the existing relationships and shared institutional knowledge between transferring and remaining Ministry staff.

20. Additionally, extra precaution has been taken for major projects, including seconding leadership from the Ministry to iHNZ, for the following areas.

    a) Mental Health and Addiction: This directorate is currently delivering a significant programme from Budget 2019, and splitting the function does pose a risk of impeding this delivery. An experienced leader from the sector who has previously led in the

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delivery of mental health and addictions services has been brought into iHNZ to lead the large programme of mental health and addictions work.

b) Health System Improvement and Innovation: This function includes significant operational programmes for the health system, including the End of Life Choice programme and major national ambulance contracts. Leadership for this function has been seconded from the Ministry to iHNZ. As End of Life Choice and the abortion reform programmes are relatively new and vulnerable programmes, they will transfer on 1 March 2023 following a one-year post implementation evaluation in Nov 2022.

c) Population Health and Prevention: This function includes large scale programmes such as the National Immunisation Programme. Leadership for this function has been seconded from the Ministry to iHNZ.

21. The nature of the transfers in this tranche means functions currently residing as single teams or directorates will now span multiple entities, and teams will need to establish processes and ways of working across agency boundaries to ensure cohesion as a single system – for example, connections are made across strategic policy and operational functions. This will be managed by continued joint working arrangements were needed, and will be outweighed by the improved cohesiveness of the system as whole following the reform.

22. There is limited slippage time for any complications in the implementation phase of transfers, particularly for those requiring a move on 1 June. Officials are collectively working to a detailed timeline of tasks that need to be completed by the Ministry, iHNZ and joint working groups to keep progressing at pace, and the working structures in place will continue to be an effective escalation point to quickly resolve any issues that arise.

Next Steps

23. The Joint Leaders Group, consisting of the Director-General, the Director of the Transition Unit and the chief executives of the interim entities will continue to monitor progress against the transfer plan and collectively make decisions regarding the implementation of transfers. Cabinet will be briefed on progress in the Cabinet paper also being provided to you at this meeting, titled *Health Reform – Final checkpoint and approval to commence*. Post 1 July, it is proposed that Cabinet is updated quarterly on progress on the reforms.

24. We are continuing to work between entities on the contracts that will transfer with functional leadership and commissioning. We will seek joint agreement from the Ministers of Health and Finance to use the Health Sector Transfers Act to transfer contracts, and, if agreed, will issue drafting instructions to make an Order under the act so that the Order can commence prior to 1 July.

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