

District Health Board pressures

- The Ministry of Health has estimated DHB cost pressures in 2019/20 to be s 9(2)
s 9(2) This has been calculated using estimates of health system demand (demographic pressures) and global estimates of cost inflation for the entire economy (Future Funding Track) applied to the DHB appropriations as at the October 2018 baseline update. The components of DHB pressure for 2019/20 are set out in table one below.

Table one:

2019/20 DHB pressure components

Pressure type	\$millions	% pressure
Demographics (number of people)	s 9(2)(f)(iv)	s 9(2)(f)(iv)
Demographics (ageing)	s 9(2)(f)(iv)	s 9(2)(f)(iv)
Remuneration of DHB employees	s 9(2)(f)(iv)	s 9(2)(f)(iv)
Price	s 9(2)(f)(iv)	s 9(2)(f)(iv)
Total	s 9(2)(f)(iv)	s 9(2)(f)(iv)

Note that since the budget bid was submitted there have been further adjustments to DHB funding which have increased the overall baseline. As such the increase of s 9(2)(f)(iv) now represents a slightly reduced increase of s 9(2)(f)(iv)

- DHB population projections indicated growth of 83,170 people from 2018/19 to 2019/20, bringing the population to 5,000,905, an overall increase of 1.69%.¹ The population aged 65 years and older increases by 3.36 percent, while the population aged under 65 increases by only 1.39 percent.
- DHBs' 2018/19 budgeted year end results and forecasts as at December 2018 can be found in table two. The consolidated year end results for budget and forecasts as at December 2018 are sector deficits of \$346.2 million and \$371.9 million respectively.

¹ Based on Population Projections produced for the Ministry of Health by Statistics New Zealand in November 2018.

Table two:

DHB	2017/18 Actual Year End Result (\$000s)	2018/19 Budgeted Year End Result (\$000s)	2018/19 Forecast Year End Result as at Dec 2018
Auckland DHB	1,013	1	1
Bay of Plenty DHB	-9,851	-10,474	-11,975
Canterbury DHB	-63,959	-98,475	-99,921
Capital & Coast DHB	-18,235	-15,864	-15,864
Counties Manukau DHB	-19,804	-53,494	-45,051
Hawke's Bay DHB	-8,576	-5,000	-5,000
Hutt Valley DHB	-6,891	-8,049	-6,632
Lakes DHB	-5,170	-5,100	-8,654
MidCentral DHB	-9,847	-4,950	-9,250
Nelson Marlborough DHB	-2,031	500	500
Northland DHB	-10,787	-5,995	-8,065
South Canterbury DHB	28	11	33
Southern DHB	-21,378	-22,390	-34,419
Tairāwhiti DHB	-5,673	-9,500	-11,470
Taranaki DHB	-8,289	-13,733	-13,733
Waikato DHB	-37,150	-56,071	-56,070
Wairarapa DHB	-9,002	-8,995	-12,326
Waitemata DHB	-14,785	-14,700	-20,000
West Coast DHB	-2,930	-6,087	-6,071
Whanganui DHB	-4,179	-7,886	-7,886
All DHBs	-257,495	-346,253	-371,853

Note that Waitemata and Northland DHBs budgeted year end results are not finalised as at 31 December 2018.

- DHB finances are complex. Their bottom lines are the result of operating decisions made throughout the financial year, affected by many factors, including but not limited to collective negotiations, local decisions, seasonal impacts, and non-cash costs from capital investments. Underfunding DHBs is likely to result in deficits and impacts on services, while overfunding DHBs is likely to result in costs increasing ahead of the rest of the economy. Determining the appropriate amount of funding is about finding a balance between these points.
- Providing DHBs with s 9(2)(f)(iv) new funding in 2019/20 is a significant increase on Budget 2018; however, it is likely that this increase will not, in itself, relieve the existing financial pressure faced across the sector.
- The Ministry is continuing its work on the DHB Performance Programme as one of the Ministry's 'four plus five' priority areas with the aim of obtaining a fuller understanding of both the financial and non-financial performance of DHBs, and improving how the Ministry measure the health outcomes of local populations and our understanding of the drivers of DHB deficits.
- DHBs provided 2019/20 budget figures as part of the outyears in their 2018/19 Annual Plans. To aid the planning process, the Ministry is asking DHBs to either meet these results or improve upon them for 2019/20, and this has been noted in the indicative funding guidance. There are however some DHBs whose plans are not deemed

acceptable (Canterbury, Waikato, Waitemata and West Coast). These four DHBs have been asked to show a significant improvement in their 2019/20 Annual Plans and have been highlighted in yellow in table three below for reference.

Table Three: DHBs planned 2019/20 financial results as per 2018/19 Annual Plans

(at 11 February 2019)

DHB	2019/20 Planned Financial Result (\$000's)
Auckland	s 9(2)(f)(iv)
Bay of Plenty	
Canterbury	
Capital & Coast	
Counties Manukau	
Hawke's Bay	
Hutt	
Lakes	
MidCentral	
Nelson Marlborough	
Northland	
South Canterbury	
Southern	
Tairāwhiti	
Taranaki	
Waikato	
Wairarapa	
Waitemata	
West Coast	
Whanganui	
All DHBs	

8. In recent years DHBs have been funded deficit support based on cash need where they have been unable to fund deficits from their own balance sheets. DHBs have been advised to use their overdraft facilities as an interim measure. This has resulted in a gradual weakening of balance sheets for those DHBs running deficits, and some are approaching the limits of their overdrafts.
9. Currently there are eight DHBs which have requested deficit support for the 2018/19 year either via letter or Annual Plan; requests exceed the appropriation available. \$92.3 million has already been paid to four DHBs (HR 20182525 refers) from the 2018/19 appropriation of \$139 million. [REDACTED] has been made in the 2018/19 supplementary estimates for additional funding. The Ministry is in the process of developing further advice for joint Ministers regarding these requests. At this stage we expect that the 2018/19 deficit support appropriation will be fully utilised and overdrafts will remain for some DHBs following the cash injections funded from this appropriation.

10. The deficit support appropriation for 2019/20 is currently \$39.2 million. We are aware that there are likely to be significant needs for deficit support in 2019/20. For instance Canterbury is likely to request support for its full deficit, which is estimated at \$99 million in its current plan.
11. If DHBs receive a funding uplift of s. 9(2)(f)(iv) in 2019/20, this will assist to improve deficit levels, but it will not improve balance sheets for those DHBs which will end 2018/19 with overdrafts or those which are expected to continue to operate with remaining deficits. Improving those would take additional revenue or equity or repeated funding uplifts over time.
12. We expect a greater level of deficit appropriation will be needed for 2019/20 and will work with the Treasury to recommend an appropriate figure.