

Briefing to the Incoming Minister of Health

Part A: Progressing your priorities and addressing key issues

November 2023

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Foreword from the Director-General of Health

Congratulations on your appointment as Minister of Health.

The Ministry of Health is committed to working with you to deliver on the Government's priorities for health. As health system lead and steward, we are here to help you carry out your role as Minister. We will help you to set direction, direct resources, and monitor performance and advise you on progress on your priorities.

We know you will be eager to make progress on your 100-day plan, coalition commitments and other key priorities. Our priority is supporting you to deliver these, including:

- setting new health targets - including for wait times, immunisation rates and cancer treatment
- introducing legislation to disestablish the Māori Health Authority
- developing a programme of work towards a third medical school at the University of Waikato, including cost-benefit analysis
- extending breast cancer screening
- improving hospital emergency department security.

This document and subsequent briefings aim to provide you with a broad roadmap for achieving your priorities, and we welcome the opportunity to discuss them in more depth. We are also ready to meet with you to brief you on your responsibilities as Minister of Health, on the broader systemic challenges and opportunities facing the health sector, and on the work we have underway to progress the coalition commitments.

We recognise that we are working in a tight fiscal environment within a challenging global economic context following the COVID-19 pandemic. We understand we will therefore need to prioritise our investments in health carefully to ensure the best use of resources to manage demand and affordability while achieving maximum health benefits for all New Zealanders.

Part A of this briefing provides an overview of the current health of New Zealanders and outlines some key opportunities, issues, and challenges to improve health outcomes. It also outlines immediate work to progress the 100-day plan and coalition commitments. Part B provides more detail on the roles and responsibilities of the Minister of Health and the Ministry of Health's roles and functions within the health portfolio.

My Executive Governance Team and I are looking forward to working with you as you take up your new portfolio.

Yours sincerely,

Dr Diana Sarfati

Director-General of Health

Contents

Foreword from the Director-General of Health	iii
Summary	1
Delivering on your immediate priorities	3
Targeting better health outcomes	3
Structural changes – disestablishing the Māori Health Authority	4
Growing and retaining the health workforce	5
Medicines and cancer drugs	6
Immunisation	6
Improving access to mental health and addiction support	7
Immediate advice on 100-day plan and key coalition commitments	7
Immediate issues and key upcoming decisions	9
The health of New Zealanders	11
Global health system challenges and cost pressures	11
Overall, our health outcomes are in-line with comparable countries	13
Achieving positive health outcomes for all New Zealanders	15
Health system performance	16
Health system changes	17
Addressing medium-term opportunities and challenges	19
Addressing workforce pressures	19
Strengthening system performance	20
Improving primary and community-based care	21
Enhancing focus on prevention	22
Improving mental wellbeing	23
Aged care and improving the health of seniors	23
Legislative opportunities	24
Your system levers, and our role in supporting you as Minister	26
Setting the direction for health	26
Specific policy and funding changes	27
Monitoring system performance and overall outcomes	28
Conclusion	29
Appendix A: Upcoming decisions	30

List of Figures

Figure 1: New Zealand population, by age group, in 2001, 2022 and (projected) 2048	12
Figure 2: Contribution of determinants to health outcomes	13

List of Tables

Table 1: Advice on 100-day plan and key coalition commitments	8
Table 2: Upcoming decisions by end of 2023 within the health portfolio	9
Table 3: Examples of health disparities for Māori, Pacific peoples and disabled people compared to the wider population	15
Table 4: Upcoming decisions in early 2024 within the health portfolio	30

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Summary

Overall, the health system serves New Zealanders well. Most New Zealanders report themselves to be in good health and our health system delivers outcomes that compare well with other developed countries.

However, we know there is more to do to lead and steward the health system and promote good health for all New Zealanders, including by preventing more disease, fostering good health, and getting the health system on a sustainable footing for the future. This includes responding to global challenges relating to workforce, the ongoing impact from the COVID-19 pandemic, and ageing populations. The health system is also still implementing recent major structural changes.

You have outlined your initial priorities through your 100-day plan and coalition commitments aimed at addressing many of these pressures. We are ready to support you to deliver on these priorities. We are also eager to explore some of the medium-term challenges and opportunities for targeted investment to improve the health of New Zealanders.

Some of these key challenges include:

- our population is growing, ageing, and diversifying, and our life expectancy has increased faster than our health expectancy (the time we spend in good health), so more people are spending longer dealing with chronic health challenges
- some New Zealanders experience avoidable health outcomes, particularly for Māori, Pacific peoples, disabled people, women, and those in lower-income households
- our ability to rapidly grow our workforce is limited in the short-term, so we need to balance our short- and medium-term investments to make improvements
- maintaining the quality of healthcare services in the face of rising costs and increasing need is a challenge, particularly following the global COVID-19 pandemic's impact on health and economic conditions.

Broader factors such as education, employment, housing, and environment are determinants of health and have a significant impact on the scale and complexity of these challenges - both for individuals, and for our health system.

To meet these challenges, we need to:

- improve access to key services, by strengthening system performance, addressing critical workforce shortages, and harnessing opportunities offered through data, digital and emerging technologies
- consider opportunities for more fundamental changes over time, particularly for our workforce and our primary and community healthcare services.

It will be important to balance investment to address critical or immediate pressures with working toward long-term solutions. Possible next steps could include, for example:

- identifying and supporting local solutions where available to address health challenges in ways that work for specific communities
- changing the way services are designed and delivered to meet the diverse needs of our changing population, with targeted interventions to deliver high-quality models of care, particularly for groups experiencing disparities in health outcomes
- enabling services, treatments and approaches that are primary and community based by default
- supporting longer-term sustainability of the health system by shifting towards a focus on prevention, including helping individuals and families to make healthy choices, and building community resilience to deal with possible shocks like pandemics and the likely forthcoming health impacts of climate change
- changing how agencies, providers and communities work together to address the determinants of health.

This will be a challenging period for the health system. Wider economic uncertainty means we will need to carefully prioritise investment to ensure we target interventions to achieve the best outcomes. We also need to ensure the health system is financially sustainable, supports our workforce, is well integrated with our sector partners and our communities, and focuses on delivering timely access to quality healthcare for all New Zealanders. Addressing these opportunities and challenges will require carefully balancing work on immediate priorities and longer-term objectives.

The Ministry of Health | Manatū Hauora (the Ministry) will support you to use a range of levers to make progress on your priorities for health and to monitor progress against your agenda.

We look forward to working with you to deliver on your priorities and improve the health of all New Zealanders.

Delivering on your immediate priorities

This section outlines our understanding of your immediate priorities and actions for the health system and we stand ready to deliver on them.

As the health system lead and steward, the Ministry will help you implement your health policy priorities, while advising you as needed on the costs, risks, and wider implications. Over the coming weeks, we will provide you with detailed advice on your immediate commitments to address challenges in the system, and how these can feed into work that seeks to address the longer-term challenges and improvements in the health of all New Zealanders. Table 1 outlines the planned advice related to areas included within the 100-day commitments on which the Ministry is leading advice.

Approaches to achieving your policy priorities below are intended as highlights. We are ready to provide you with in-depth advice on some of your Coalition Agreement commitments that will involve significant or complex implications, risks or challenges. For example, we note that the Government has made commitments to carry out a cost-benefit analysis to assess feasibility of a new medical school at the University of Waikato, and to repeal the Smokefree Environments and Regulated Products (Smoked Tobacco) Amendment Act 2022 and some associated regulations, and the Therapeutic Products Act 2023. In each of these cases, the proposed changes will come with significant flow-on impacts which we look forward to briefing you on as part of moving towards implementation.

Other priorities, particularly those that are operational, such as building and leasing back hospitals and extending breast cancer screening to under 74-year-olds will be largely led by Health New Zealand | Te Whatu Ora (HNZ). We will support the delivery of these priorities in the context of our wider system leadership, performance and monitoring roles. We have worked closely with HNZ to ensure roles and responsibilities for leading against each of your priorities are clear.

We will support you to track and deliver on the overall 100-day plan across the system.

Targeting better health outcomes

We know that improving the overall performance of the health system, particularly using targets that focus effort, is a priority for the Government. As part of the 100-day plan, you have committed to setting five new health targets that focus on:

- timeframes for decisions with respect to patients in emergency departments (EDs)
- faster access to cancer treatment
- childhood immunisation rates
- wait times for first specialist assessment
- wait times for elective treatment.

We are well placed to advise you on these new targets, drawing on a combination of measures that have been used previously and new ones to test with you. We will provide you advice on this shortly and can progress them to be approved by Cabinet for use from 2024.

There is an option for additional measures, including for mental health, to ensure health targets sit within and support a comprehensive and effective approach to health system performance and monitoring. The Government Policy Statement on Health 2024–2027 (GPS) will provide further opportunities for you to set your expectations for health entities and wider system performance. You will also be able to specify additional measures in the GPS to monitor progress against your priorities.

Structural changes – disestablishing the Māori Health Authority

You have committed to introduce legislation to disestablish the Māori Health Authority | Te Aka Whai Ora (MHA). We can support you to do this through an amendment to the Pae Ora (Healthy Futures) Act 2022 (Pae Ora Act). s 9(2)(f)(iv)

[REDACTED]

[REDACTED] The timing for introduction of legislation within the 100-days will be informed by the scope of the changes as this will impact on timeframes for drafting.

s 9(2)(f)(iv)

[REDACTED]

There is significant organisational change fatigue in the health system. The next couple of years will be important for stabilising, consolidating, and refining the new operating roles and functions of key entities, including the changes resulting from the disestablishment of the MHA.

Growing and retaining the health workforce

We understand that growing and retaining the health workforce is a major priority for the incoming Government and that three of the Government's main health commitments are focused on supporting this objective. These are:

- the additional medical school at the University of Waikato, with the Memorandum of Understanding as part of the 100-day commitment
- additional medical training places
- bonding payments for nurses and midwives during their first five years of employment in these roles.

We are ready to advise you on next steps with respect to the commitments above, and to advise you on options for managing the risks and issues in standing up a new medical school.

As part of standing up the medical school, we will seek your direction on the scope of any Memorandum of Understanding and indicate the steps and processes needed for the Government to make a financial commitment that spans the health and tertiary education portfolios. The process will also consider the coalition commitment requirement for a cost-benefit analysis to be undertaken before any binding commitments are made by the Government. As with any large project, standing up a new medical school will involve some challenges and risks, even with a 2027 start date for first enrolments. These include the financial costs in capital and other set-up costs from both government and the University's financial resources, and the significant work to set up operations including developing and staffing a programme and gaining medical council accreditation.

We are also focused on taking all practicable steps to improve health workforce sustainability in the medium term by ensuring we improve both recruitment and retention, including making the most of opportunities both domestically and internationally. As part of this, we look forward to briefing you further on options for better recognising people with overseas medical qualifications and experience for accreditation in New Zealand, including consideration of an occupations tribunal.

We will also provide you with initial briefings on additional training places, including those from 2025, and the bonding payments for nurses and midwives. This will seek decisions to inform your priorities within Budget 2024. A list of initial workforce briefings is outlined in Table 1 below. HNZ will also provide briefings on operational health workforce areas of focus.

We understand that your commitment to rapidly improve workforce security in EDs is driven by an underlying concern about the conditions in which health professionals work currently. We understand the need to move quickly on this commitment and will, with your agreement, write to the chair of HNZ. We propose to request an increase in ED security and invite a response that specifies any resource implications and explain how the effects will be reported. As part of our monitoring role, we also propose work with HNZ to put in place timely reporting to ensure that locations of concern are addressed promptly.

Medicines and cancer drugs

There are many more potentially useful medicines that could be funded to treat health issues than funding available in the Pharmaceutical budget. Pharmac receives considerable public scrutiny of the difficult decisions it needs to make in deciding on treatments to be funded. As required, Pharmac consistently operates within the fiscal constraints set by Government in funding medicines. Improvements can always be made on how investment decisions are made and how they align with Government priorities.

The coalition commitments indicate you will set direction through a new medicines strategy that responds to current context and challenges, and will be published every three years. We look forward to exploring with you the scope and approach of the strategy and advising you on next steps for getting the new medicines strategy underway.

You have also made commitments to improve access to medicines and devices, including through more funding for Pharmac, increasing provision of cancer drugs, and maintaining free prescriptions for a more targeted group, including superannuitants and those with a community services card. We also look forward to briefing you on ways to give effect to your commitment to improve how agencies provide access to medicines, including updates to Pharmac's decision-making and funding model and improving MedSafe's regulatory decision timelines.

Table 1 outlines work we can get underway immediately to progress your priorities, including through Budget 2024. As part of this work, we look forward to advising you on options for improving the public funding of medicines, and your commitment to require MedSafe to approve new pharmaceuticals within 30 days of them being approved by at least two overseas regulatory agencies recognised by New Zealand.

Funding additional cancer drugs within Budget 2024 will have some challenges given the existing legislative settings and decision-making framework for the public funding of medicines. There are additional considerations to enable access to the cancer drugs such as from workforce and system capacity limitations. The initial advice will outline the issues and options to mitigate.

Immunisation

High immunisation rates are critical to protect the health of individuals and our communities. Immunisation rates have been declining for some groups, posing serious population health risks. Improving immunisation rates, especially for children, is a key priority for the incoming Government and we will advise you on ways to achieve this.

We note that this priority is reflected within the health targets and the Government's coalition commitment to introduce an immunisation incentive payment plan for general practice which also focuses on immunisation rates for children, along with young people (up to 17 years) and people over 65 years.

Improving access to mental health and addiction support

We understand that mental health is also a major priority for the incoming Government, and a specific ministerial portfolio has been formed to acknowledge this. Decisions will need to be made on delegations between the health and mental health portfolios, such as on legislation or accountability for mental health-focused Crown entities. We can provide you with advice on this. We have prepared a separate briefing for the incoming Minister for Mental Health, which will also be provided to you.

A growing number of people are seeking support for mental health and addiction issues and increasing mental health challenges for young people are a rising concern. Increased provision by community organisations and wider access is supported through the commitment for \$6 million per annum to Gumboot Friday/I Am Hope Trust, within the coalition agreement between the National Party and New Zealand First. There is also a commitment for a Mental Health and Innovation Fund within the National Party Fiscal Plan. We have included this within forthcoming advice for the Minister for Mental Health, outlined in Table 1 below. The advice will indicate how we can make progress within Budget 2024 and seek direction on settings for the fund and what performance expectations you would like to set in terms of mental health access and outcomes.

Immediate advice on 100-day plan and key coalition commitments

We have reviewed the Government's coalition agreements and the 100-day plan, and developed initial advice for the health portfolio. **The Ministry has shared a list of planned briefings, week-by-week, until the end of 2023 with you for feedback.**

Table 1 below shows initial advice on the 100-day plan and other coalition commitments. Table 2 shows other key decisions related to government processes within the health portfolio before the end of 2023.

Table 1: Advice on 100-day plan and key coalition commitments

Issue	Part of	Decision
s 9(2)(f)(iv)		

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Immediate issues and key upcoming decisions

There are some immediate issues and decisions on which the Ministry will advise you relating to the health portfolio. The decisions relate to processes of government and decisions that you need to take as the Minister of Health.

Table 2 below shows the decisions needed by the end of 2023. A list of upcoming decisions for early 2024 related to standard government processes, not policy priorities, are in Appendix A.

Table 2: Upcoming decisions by end of 2023 within the health portfolio

Issue	Decision
Vote Health	

Issue

Decision

s 9(2)(f)(iv)



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The health of New Zealanders

Global health system challenges and cost pressures

The immediate actions above are often seeking to address drivers of health care demand and broader health system challenges. All countries are dealing with challenges like pandemics, ageing populations and a global economy affected by the combined shocks of the global COVID-19 pandemic and conflicts. These economic factors have also driven high inflation, making maintaining current services more costly and reducing the ability to fund the additional investments needed. Further, workforce shortages due to competition for health professionals in a global labour market are very real and have been exacerbated by the impact of COVID-19.

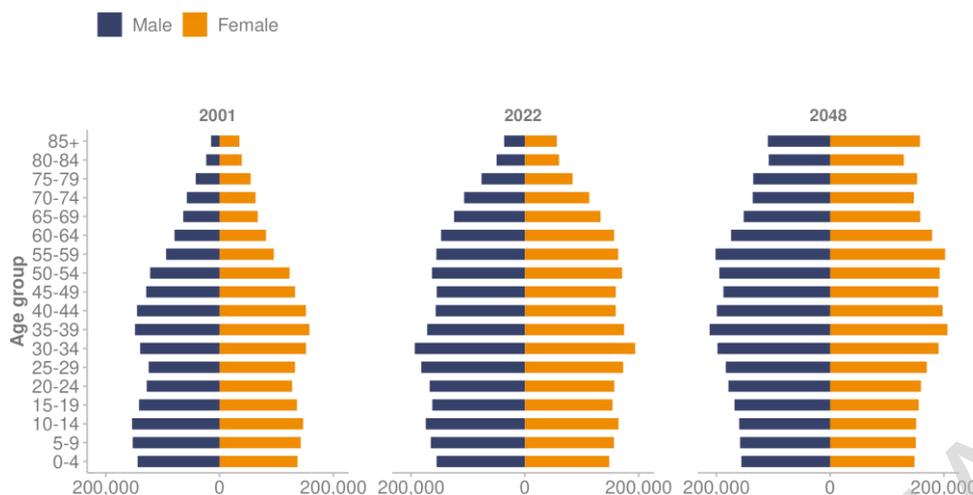
Health system cost increases are being driven by growing population needs for health services, people living longer with chronic conditions, technological advancements increasing costs of supplies and workforce shortages. These dynamics are placing significant pressures on public spending on health care and are due to increase. In New Zealand, the Treasury's long-term fiscal model projects that health expenditure will grow from around 7% of gross domestic product (GDP) in 2020/2021 to over 10% of GDP by 2061 if there are no changes to our current health service model. These projections align with similar international modelling.

Action to mitigate and adapt to these forces over the long-term requires the Ministry and health system to anticipate and address opportunities and challenges. It also means we need to look at innovative ways to adapt our health care models, to intervene earlier and take advantage of exciting opportunities new technologies like artificial intelligence and genomics offer to improve efficiency and effectiveness of health care delivery.

Our population is growing, ageing, and becoming more diverse

An ageing population tends to put more demand on the health system, as older people generally require more health services than younger people, due to spending longer in poor health. This results in a substantial increase in the burdens of poor health and disability and increasing need (and cost) for the health system. Figure 1 shows the population aged over 65 years and over 80 years continuing to grow towards 2048.

Figure 1: New Zealand population, by age group, in 2001, 2022 and (projected) 2048



Source: *Health and Independence Report 2022*

Over the ten years from 2013–2023 the population living in New Zealand grew by 18%, with around 780,000 additional people. Overall population growth, from net-migration and longer life expectancy, also increases demands on health services and health funding.

Our population is increasingly ethnically diverse with faster growing Māori, Pacific and Asian populations. Diverse ethnic groups have different preferences, and ways of accessing and using health services. Our health services will need to adapt to the future health needs and aspirations of these groups. Māori and Pacific populations also have a much younger age structure than the New Zealand European population, which presents a significant opportunity for targeted health initiatives early in the life course to support these populations to stay healthy.

While most of the New Zealand population lives in urban areas, we also have a significant and stable share of the population that lives in rural communities. Around one in five people live in rural communities, for Māori this is higher with one in four Māori living in rural areas. Access to health has additional challenges in rural areas and approaches to health care need to be different for these communities.

Technological advances create new opportunities

Technological advancement and emerging technologies, such as artificial intelligence and genomics, create potential opportunities to help the health system work more efficiently and cost-effectively, while reducing pressures on the health workforce and improving sustainability of delivery over time. These technologies have potential to increase access to targeted health services, and enable earlier detection and management of disease, particularly for groups that experience disproportionate burden of diseases like cancer, stroke and heart attacks.

While some of the workforce and parts of our system are quick to adapt and innovate, our health systems and settings do not yet support us to take full advantage of new and emerging technologies. More work is required to enable agile adaptation to

advancements through our models of care, and address known risks, such as the potential for a digital divide and data privacy concerns.

Overall, our health outcomes are in-line with comparable countries

Our health system works well for most New Zealanders and, against many overall measures it delivers well when compared against other developed countries.

Overall, New Zealanders are living longer, and life expectancy is projected to continue rising for all groups of people. For those born in 2019, the average life expectancy for a male is 79.9 years, with a health expectancy (the time we spend in good health) of 68.9 years; the expectancy for female is 83.6 years and 70.3 years respectively. However, New Zealanders are spending, on average, over a decade in poor health, and this period of poor health is slowly increasing as we age.

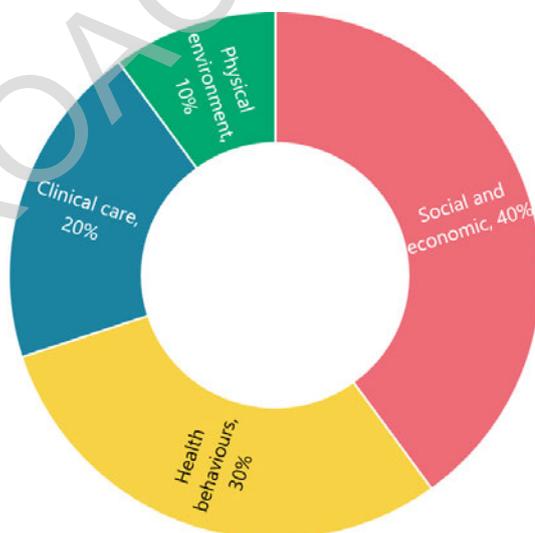
Available evidence suggests that non-communicable diseases such as diabetes, cancer, heart disease, chronic respiratory diseases are some of the leading causes of health loss. Rising levels of mental distress are a further area of major concern, particularly among younger New Zealanders.

Useful areas to focus to improve the health of New Zealanders

Social, economic, and physical environments strongly influence our physical and mental health and wellbeing, as well as our ability to adopt and maintain a healthy lifestyle.

The conditions in which a person is born, grows up, lives, learns, works, and ages, and the wider set of forces and systems shaping the conditions of daily life, determine around 80% of a person's health status.

Figure 2: Contribution of determinants to health outcomes



Source: *Health and Independence Report 2020*

These forces and systems include the social, economic, physical, cultural, and natural environments, housing, education, the distribution of power and income, systemic discrimination, and settings for commercial activities, such as alcohol, tobacco, unhealthy food, and gambling.

These environments and conditions have a large impact on our mental health, physical health, and our behaviours including tobacco and alcohol use, diet, physical activity, sleep, and social connections. In New Zealand, over a third (38.6%) of health loss is potentially avoidable by reducing exposure to risk factors. The main factors for preventable health loss and premature death are tobacco use, dietary risks, unhealthy body weight, high systolic blood pressure, high fasting blood glucose and alcohol use.

Quality, accessibility, and delivery of health services determine the remaining 20% of a person's health status. Our focus is making sure the health system targets the right areas as effectively as possible to improve the health of all New Zealanders.

We are committed to collecting evidence about the interventions that work, and over time improving the value of investments made through the health sector budget. We know that investing in healthy lifestyles from early in life can be remarkably effective and good investment in long-term health and reduced costs across government. For example, we know that increasing free primary care health services for children has reduced financial barriers to health care for many families and supported good health early in life.

Good health and broader life outcomes are interconnected and mutually reinforcing

Good health enhances people's opportunities to engage in other aspects of life, such as education, community engagement and employment (and vice versa). The ways in which wider determinants of health impact are complex, interconnected, and cumulative over the life course. The health system needs to work with stakeholders, providers, and communities to address the wider determinants of (good or poor) health, as well as improve how health care is made available and experienced by people.

We need to support partners and the community to keep our population healthy

To protect, promote and improve health, the health system needs to work with our partners to ensure health concerns are considered alongside economic, social, and environmental improvement initiatives. Efforts to improve both health and wider wellbeing can include supporting access to healthy housing and reducing family and sexual violence.

There are clear links between the child protection system and the health system, which the Ministry continues to explore with relevant agencies across government to improve links for at-risk children and these outcomes over time.

Achieving positive health outcomes for all New Zealanders

Improving health outcomes for all New Zealanders is a key mission for the health sector. Overall, most New Zealanders get the healthcare they need and report themselves to be in good health.

However, some health disparities persist. These are shown across many indicators, and particularly in long-term conditions such as diabetes, cancer, and cardiovascular disease. These conditions contribute to higher mortality rates, particularly for Māori, and those spending more time living longer in poor health, particularly women. Table 3 shows some key disparities in health for Māori, Pacific peoples and disabled people. In addition, women, those living in rural communities and those in lower-income households, also experience health inequities. The causes of health disparities between groups are complex and sit both within and outside of the health system.

Table 3: Examples of health disparities for Māori, Pacific peoples and disabled people compared to the wider population

Total population	Māori	Pacific peoples	Disabled people
Life expectancy Men: 80.0 years Women: 84.5 years	Seven years less than non-Māori Māori men: 73.4 years Māori women: 77.1 years	Five years less than non-Pacific peoples Pacific men: 75.4 years Pacific women: 79.0 years	Life expectancy is not known, but disabled adults are markedly less likely to report being in good, very good or excellent health (59.2%) than non-disabled adults (90.5%)*
Children living in material hardship: 10.3%	Māori children: 18.8%	Pacific children: 25.6%	Disabled children and children living in a household with at least one disabled person: 21.5%
Psychological distress: 9.4%*	Māori adults: 15.7%*	Pacific adults: 13.3%*	Disabled adults: 29.2%*
Daily smokers: 9.7%*	Māori adults: 23.5%*	Pacific adults: 17.6%*	Disabled adults: 15.0%*

* Three-year pooled period ending 2021/22

Source: *Health and Independence Report 2022*

Health services still do not meet the needs of many Māori

Māori have some of the poorest health outcomes compared with other groups. There are significant differences in a range of health indicators for Māori. These differences persist even when other factors like socioeconomic status, living in rural communities or gender are factored in. For example, Māori living in the least deprived areas still

have a life expectancy gap of more than six years when compared with non-Māori non-Pacific people living in the same areas. For Māori living in rural communities, their amenable mortality rates¹ are 2.5 times higher than non-Māori living in rural communities, as well as being slightly higher than Māori living in urban areas.

Health system performance

Our health system is under pressure

Longstanding issues and pressures on the health system, some of which have been exacerbated recently by the global COVID-19 pandemic, are clearly reflected in our data. In particular, the health system is experiencing capacity constraints across most acute and planned care services, leading to delays and variable quality of care for some patients.

Other key measures reflect broader pressures across the social support system. These include the rate of avoidable hospital admissions for children (ambulatory sensitive hospital admission rates), which are increasing, especially for Pacific children. We intend to take steps to address these issues, and many of your coalition commitments relate to the same challenges.

While there are many significant challenges facing the health system, we are seeing system performance improvements in some key areas. We can see improvements where there have been targeted service delivery improvement initiatives recently. These include a reduction in wait times for planned care due to concerted efforts in this space. Recent work to ensure that no one waits longer than 365 days by July 2024 has been gradually furnishing positive results. A new health workforce plan is also in place to help boost the workforce, which should contribute to sustaining this positive momentum.

Significant investments have been made recently in digitisation and health infrastructure, particularly as part of the consolidation of services to establish HNZ. More focus is required to modernise and complete the digital integration projects that support an innovative and joined-up health system.

We understand more work is needed to ensure our models of care are fit for the higher complexity in health needs. We also know there is more that could be done to remove cost barriers for some and ensure timely access to care. In the 2021/2022 Health Survey, 10.7% of adults reported not accessing primary health care due to cost-related barriers, and 11.5%, due to wait times over the last 12 months, respectively. Disabled people, Māori, Pacific peoples, and women are more likely to experience barriers to accessing primary health care than the general population.

Māori and Pacific health providers have driven improvements in access for their communities through flexible commissioning and other initiatives. This was particularly

¹ The Ministry's definition of 'amenable mortality' is premature deaths that could potentially be avoided given effective and timely care

evident through the COVID-19 response and vaccination roll-out. There is evidence of the effectiveness of whānau-centred and locally led approaches.

Continued improvement in performance over the long-term requires the Ministry and health system to anticipate and address these systematic opportunities and challenges to ensure better outcomes for all New Zealanders.

Health system changes

The health system is still implementing major structural changes

Since the Pae Ora Act came into effect on 1 July 2022, the health system has been undergoing significant changes with new entities and redesigned functions to direct, design and deliver services and programmes at national, regional, and local levels. The purpose of the Pae Ora Act is to provide for public funding and provision of services to:

- a. protect, promote, and improve the health of all New Zealanders
- b. improve health outcomes for all New Zealanders, including by working hard to eliminate health disparities for groups such as Māori
- c. build towards healthy futures for all New Zealanders.

The Pae Ora Act provides the structural foundations for the health system. These are described in more detail in the next part of this document.

The structural changes to the health system are intended to achieve a more effective distribution of functions and responsibilities across the system, and to address the significant variation, regional delivery inequity and financial deficits experienced under the previous model. The key expected features of the changes are:

- To improve Māori health and uphold Te Tiriti in the delivery of healthcare, by partnering with Māori as appropriate (as set out in *Hauora: Report on Stage One of the Health Services and Outcomes Kaupapa Inquiry*)
- To consolidate national planning to reduce duplication and waste across multiple organisations. This involves working to improve the use of resources and financial control, reduce inappropriate geographical variation in access to services, and support consistent quality standards and clinical governance. It also includes national planning for specialist services, the development of centres of excellence and strengthening information management across the system.
- To devolve most commissioning to the regional level, to bring decisions on service design closer to communities, with greater scope for innovation and tailoring, and to partner with other regional public services. This would also allow for alignment of plans across primary, community and hospital services within a region.
- To deliver services locally, based on the aspirations and priorities of communities themselves.

The Act provides a permissive legislative framework for achieving these objectives, with the expectation that decisions on the detailed design of operating models would be taken over time.

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Addressing medium-term opportunities and challenges

Our health system is facing a number of challenges. To create the system we want for New Zealanders, we need to carefully balance investing to address critical or immediate pressures and addressing medium-term-and more systemic challenges.

This section lays out some of the medium-term opportunities and challenges for the health system ahead, including the need to:

- balance addressing urgent workforce issues with the need to address the systemic factors that may influence the sustainability of our workforce over time
- strengthen performance of the health system in key areas, by addressing critical workforce shortages and exploring ways to harness medium-term opportunities offered through better use of data, digital and other emerging technologies (e.g., genomics)
- evolve our primary and community healthcare delivery models, so they are better placed to deal with the demographic and other demands ahead (such as ageing and climate change) while remaining an attractive place to work for the workforce
- balance strengthening investment in health prevention and promotion against the need to meet growing costs of secondary and tertiary health care
- understand and respond to the significant increase in mental distress across New Zealand, particularly among our younger people and take active steps to address this major challenge.

We look forward to further discussions with you around many of these issues in due course and to exploring the best ways to address them. Below, we outline more about these key areas.

Addressing workforce pressures

Growing a more flexible and sustainable health workforce is a priority for meeting public expectations of access to treatment in the health system and to improve health outcomes.

Pressures on our hard-working doctors, nurses, and other health workers due to shortages and higher burdens exist across professions, with some services struggling to operate sustainably. The global COVID-19 pandemic further exacerbated these long-standing health workforce challenges, with increased workloads and stress, illness, and increased demand for healthcare staff internationally.

Engagement with the sector has highlighted that workforce shortages, maldistribution, poor workforce wellbeing, inconsistent cultural safety and under representation are the key challenges which have created barriers for achieving the health workforce we need.

These workforce issues are compounded by existing approaches to commissioning, investment, education and training, and by the current legislative and employment settings. Together, these lead to an inflexible model that acts as a brake on change at scale and pace. We need to have flexible pathways for people to get into and build on their health careers.

To help create a more flexible and responsive workforce approach, the Ministry published the health workforce strategic framework alongside the health strategies in July 2023. The strategic framework highlights that the health workforce needs to be available, accessible, productive, responsive, and high-quality.

Key areas of focus, which build on your key health workforce coalition commitments, are:

- valuing and creating incentives for people to join and remain in the health workforce, through improved working conditions and ensuring appropriate remuneration, such as through pay equity settlements
- making changes to ensure the health workforce environment is safe and can evolve to meet future needs, including reviewing the Health Practitioners Competence Assurance Act 2003 and other regulatory settings.

As outlined in Table 1, the Ministry has further advice ready on workforce that relate to your key coalition commitments, and provide an overview of health workforce challenges and issues.

Strengthening system performance

Access to core health services and effective treatment continue to be highly variable across New Zealand for different communities by type of service. Workforce pressures and capacity constraints in some parts of the system, such as in primary care, exacerbate challenges in providing timely, equitable and effective care to all.

In addition to setting new health targets, ministers will have further choices on where and how to focus effort and resource, including:

- improving access to core health services, for instance improving access to primary and community services, increasing the timeliness of emergency care, addressing waiting lists for specialist care and treatment, and meeting standards for screening and immunisation
- developing and expanding care models that provide more flexible and appropriate care for our diverse communities, especially in the context of an ageing population and increased complexity of health needs
- setting priorities for building and infrastructure renewal to modernise the health system and harness the opportunity of new technology and innovation
- improving access to medicines, including expanding access to cancer drugs
- addressing financial barriers to access for people and communities, including targeted action on user charges or increased support for travel costs.

The Ministry will provide you with advice on how to work towards your objectives and achieve the best use of the system's resources and capacity and ensuring performance is monitored for accountability.

You will also have important decisions to make on setting the performance expectations for entities and how system performance will be monitored, to ensure that your key areas are the focus and are monitored. Initial advice on system performance is outlined in Table 1.

Improving primary and community-based care

Primary and community health care is most people's entry point to the health system, supporting them to stay in good health and acting as a gateway to access more specialised health care. Having accessible care is fundamental to supporting the good health of all New Zealanders.

The primary and community healthcare system is facing a range of challenges. These include:

- workforce shortages across a broad range of health professions, and a lack of multi-disciplinary approaches leading to an ineffective use of existing professions
- persistent barriers to access, including cost to patients, transport to services and lack of availability of services at times that work for patients and their whānau
- some populations, including Māori, Pacific peoples and rural communities, have additional access barriers to primary care that require different models and approaches
- a lack of consistent coordination between different types of primary and community healthcare services, with hospitals and with other public services
- legacy service models or approaches that are not well equipped to manage the increasing complexity of health issues or to make the most of developments in technology
- fragmented funding arrangements that do not sustainably support providers or people's health needs and exacerbate inequities between areas.

Population growth, ageing populations with more complex needs and a higher incidence of long-term conditions, longer waiting times for specialist treatment and a reduced network of after-hours or urgent care support, also put more pressure on an already stretched primary care workforce and on an inadequate funding model.

Policy solutions will need to address both short-term priorities that address immediate pressures, as well as longer-term priorities that could enable a more fundamental shift to primary and community care. Options will include potential changes to how the primary and community system is designed, funded, focused, and monitored, and there will be decisions about the pace and scale of change. The options within the future work programme cover the following key areas of policy:

- investment and funding settings
- prevention through a population and public health approach
- the primary and community healthcare workforce
- the structure and function of primary and community healthcare
- system settings to better enable Māori to design and deliver whānau-centred care.

The Ministry, with the MHA and HNZ, will provide you with further advice on options for you to direct priorities for both immediate and medium-term work on primary and community healthcare.

Enhancing focus on prevention

Enhancing our focus on prevention, public and population health is essential to create the best possible chance of good health across the life-course. It is also key to reducing demand on specialist and hospital services and enabling a sustainable health system into the future.

Our experience shows that public and population health approaches that prevent, reduce, or delay the onset of illness are cost-effective and result in more equitable outcomes. Investment in preventive interventions such as screening and immunisation can deliver better health outcomes. Cost-effectiveness ratios for prevention are better than or equivalent to similar investment in treatment. Acting early also reduces the financial costs of poor health. Tobacco control shows that a comprehensive and sustained programme of action that works at all levels from legislation and regulation to social marketing and smoking cessation services can result in durable change. In the three-year period ending 2021/22, 9.7% of adults were daily smokers.² This was down from 16% in the three-year period ending 2013/14.

Key priorities include:

- Strengthening current system performance especially improving childhood immunisation, and cancer screening rates
- Influencing the determinants of health with a deliberate shift upstream to systematically address the wider determinants and key drivers of poor health. This means working across sectors to influence healthy environments, and promoting health and wellbeing across the life course (with a focus on key stages that have the most influence over longer-term health and wellbeing)
- Continuing to improve health at a community and population level on public health actions that will make significant improvements in health outcomes and inequities. This includes continued action on tobacco, community water fluoridation, healthy housing initiatives, HPV vaccination and screening, and HIV, rheumatic fever, and hepatitis C elimination
- Preparing for the next pandemic and other potential shocks by drawing on the lessons learned from the COVID-19 pandemic to increase system preparedness to identify, mitigate, protect against, and respond to health threats. Threats include

² Daily smokers are defined as people aged 15 years and over who smoke at least once a day and have smoked more than 100 cigarettes in their whole life, and data was pooled over the three-years.

communicable diseases and impacts of climate change, the burden of non-communicable diseases. Significant investment in our population health information and surveillance system will be required to meet these challenges

- Addressing health disparities using data, community voice and comprehensive and cross sectoral action to address the drivers of inequities
- Improving Māori health through public health approaches to deliver more equitable health outcomes for Māori; and enabling iwi, hapū, whānau and Māori communities to decide and deliver the approaches that improve their health and wellbeing.

Improving mental wellbeing

Many New Zealanders are facing significant mental health challenges and mental distress across the population has increased. Mental health concerns are rising, particularly among our young people. In the 2021/2022 New Zealand Health Survey nearly 25% of young people, aged 15–24 years report experiencing high or very high psychological distress which is up from around 5% in 2011/2012.

While progress to make more services available has been made, there remains significant health inequities between some regions and for some populations. For example, 17.8% of Māori adults, 14.4% of Pacific adults and 32.8% of disabled adults reported experiencing high or very high psychological distress compared to 11% for all adults in New Zealand.

There is significant pressure on some parts of the mental health and addiction system including specialist services, impacted by high need and workforce shortages.

Funding for mental health is allocated and tracked separately within Vote Health (mental health ringfence) to maintain a financial commitment to address this area while pressures across the health portfolio are high. More information about the ringfence is outlined in the health funding section within Part B. Further advice on mental health and addiction challenges and priorities for further work are also outlined in the briefing to the Minister for Mental Health.

Aged care and improving the health of seniors

Ageing is associated with higher rates of disability and long-term chronic health conditions that require support on a daily or regular basis. As our population ages, we can expect increasing numbers of people to live longer with more complex conditions and comorbidities that require more specialised care and support.

There are opportunities to promote healthy ageing and respond to increased pressures on the health system through:

- supporting people to age well in their communities
- improving access to primary and community health services
- continuing to improve acute care and end of life care

- futureproofing the aged care system for increasing need through longer-term system and service design work.

Aged residential care and home and community support services are facing challenges. These include staff shortages, pay disparities across the health workforce, inequitable access to care and managing increased demand pressures. Aged care providers are reporting that financial sustainability is impacting on their ability to provide quality care.

Trends suggest that while overall aged care services generally meet current demand, up to an additional 16,000 aged residential care beds may be needed by 2030 to support our ageing population. Forecasted demand for dementia beds based on the increasing population of older people indicates that dementia beds will need to increase from the current 4,700 to 9,000 by 2040. It is estimated that the demand for aged residential care for Māori is expected to increase four-fold between 2019 and 2030.

We will work with HNZ to provide you with options to deliver on the coalition commitments to:

- investigate the funding formula for new residential care beds.
- undertake a select committee inquiry into aged care provision to include supporting people with early onset conditions and what asset thresholds are appropriate in 2023/24.
- work on establishing bipartisan agreement to fund both care and dementia beds that New Zealand needs now with a focus on the long term needs by 2040.

We are working with the Ministry of Housing and Urban Development in the review of the Retirement Villages Act, including proposals relating to aged residential care, and can provide you with advice on this as required.

Legislative opportunities

Delivering on your coalition commitment to disestablish the MHA, and introducing legislation within the first 100-days, requires an amendment to the Pae Ora Act. We have prepared advice outlining options about how to make progress on this commitment.

Under its coalition agreements, the Government has also committed to repeal the Therapeutic Products Act 2023, and to repeal the Smokefree Environments and Regulated Products (Smoked Tobacco) Amendment Act 2022. We are preparing advice outlining options to give effect to these commitments, and the decisions for the Government that would arise as a consequence of repealing these Acts.

As part of our regulatory stewardship role, our assessment of other key legislative priorities for the health and mental health portfolios include:

- **Replacing the Mental Health (Compulsory Assessment and Treatment) Act 1992**, based on a first principles review, as is not fit for purpose and needs to be updated to reflect current approaches that shift to a recovery and wellbeing

approach for people with mental health challenges. We have completed a review, undertaken public engagement on proposals and have policy decisions on the approach to legislation. We need to seek the Minister for Mental Health and your views on the current proposals, and undertake any further work as needed. Then these legislative proposals would need to be agreed to by Cabinet and the legislative priority the Government considers it to be within its legislative agenda.

- **Reviewing the End of Life Choice Act 2019**, as part of completing a statutory requirement three years after the legislation come into effect. We expect to recommend drafting improvements to the current legislation and potentially some policy options for the Government to consider alongside the development of terms of reference for the statutory requirement to review the End-of-Life Choice Act 2019, following consultation between parties (as set out in the National-ACT Coalition Agreement).
- Reviewing the regulatory system for the health workforce, including the **Health Practitioners Competence Assurance Act 2003**. Changes to the Act are a key part of improving workforce flexibility and growing a sustainable workforce.

Your system levers, and our role in supporting you as Minister

Our role is to support you as Minister of Health. The Ministry is the steward of the health of the population and the health system, and lead advisor to government on health. As such, we are here to support you to achieve your policy priorities for health and to advise you on overall health outcomes, options for investment, system performance and opportunities to improve outcomes over time.

This section will outline the Ministry's functions in supporting your high level strategic and accountability roles. The Ministry's overall role, functions, and directorate structure as well as your more specific roles and responsibilities as Minister of Health are set out in Part B.

The Ministry will support you to make use of a range of levers to make progress on your priorities for health and to monitor progress towards implementation and outcome improvements. These include direction setting, policy options, investment and funding changes and, monitoring and accountability.

Setting the direction for health

As Minister of Health, you can set the direction and performance expectations for the health agencies and entities. That direction can be set over the medium to long-term through strategic documents such as the health strategies, or agency or entity specific strategic intentions or statements of intent.

The Government Policy Statement on Health (GPS) gives you an opportunity to set direction and more specific changes and actions expectation across the health sector over the period for which it is issued. The Ministry and Crown agents, such as HNZ and Pharmac, are required to give effect to the Government's GPS. For HNZ, GPS priorities are required to be reflected in the New Zealand Health Plan for health services delivered and commissioned by them.

The GPS is required to be issued prior to July 2024 for up to a three-year period under the current Pae Ora Act. This provides you with an opportunity to set clear direction and specific actions within the first six months of 2024 for a period up to mid-2027, with it also aligning with the Government's investment and funding decisions within Budget 2024.

The GPS, Budget 2024, and the New Zealand Health Plan are closely connected and grounded in a shared understanding of strategic priorities and current activity. The Ministry and health entities will work to develop the GPS and New Zealand Health Plan alongside each other and align them with the Budget process.

The Ministry will provide advice to you on potential priorities for the GPS, including:

- how activities will support ministerial priorities
- opportunities for efficiencies and reprioritisation
- trade-offs and balances for consideration within existing constraints.

Performance expectations also drive the direction towards the Government's priorities for the Crown entities that report to the Minister of Health (Part B outlines these entities and their roles). Engagement with the board, the letters of expectation and Statements of Performance Expectations can all set clear expectations, against which their performance will be monitored and assessed. The Ministry, as the monitoring department for health entities, will support you in the process for setting and monitoring against these performance expectations.

Specific policy and funding changes

We understand that with wider economic uncertainty, we are expecting fiscal constraint in Budget 2024 and we will advise you on potential savings, efficiencies, and opportunities for targeted investments to deliver on your commitments. We have already made a range of savings across the Ministry's own budget and look forward to discussing next steps with you.

While funding is often highlighted as one of the more significant ways to achieve health system objectives, we note that the levers to implement coalition commitments can also be progressed by the Ministry through our policy, legislative and regulatory roles. We will also work across government on areas that progress the Government's priorities for health.

The budget process and appropriations provide funding, through additional funding or reprioritisation, for specific commitments from the Government. The budget process and appropriations also set clear limits on funding for the delivery of services within budget allocations.

Addressing the challenges and opportunities facing our health system and working towards ministers' objectives will have implications for health funding and investment over the coming years. Health services have historically been subject to cost and demand pressures that are greater than those of the economy as a whole; and this trend is expected to continue.

With wider economic uncertainty, we are expecting fiscal constraint in Budget 2024. The focus on returning to an operating surplus will require trade-offs between the scale and pace of objectives within health and across government and will place pressure on the need for reprioritisation within existing budgets.

The Ministry will support you with advice on potential savings, efficiencies, and opportunities for investment at Budget 2024 that can deliver on your coalition commitments and broader priorities for change. The current Vote Health appropriations are outlined in Part B.

Monitoring system performance and overall outcomes

The Ministry is working to improve accountability arrangements to boost health sector performance and better manage risk. The new system 'architecture' will link long-term outcomes and strategic direction-setting to medium-term Government priorities, financial settings and Budget, and system-wide planning and accountability processes. Together this framework ensures that there is a comprehensive picture of how the health sector is performing over time, is clear on respective roles and ensures health entities are held appropriately to account for their responsibilities.

Health targets and other measures monitoring Government priorities will be part of this accountability framework and support an assessment of health improvements and the performance for entities.

Overall health outcome reporting, including the *Health and Independence Report*, and health research also highlight overall health issues that the Ministry and other health agencies and entities need to address.

In undertaking our work understanding issues, policy options and monitoring we will listen to the sector, experiences of people in the health system, those with lived experiences and communities. Their experiences and insights are valuable in understanding issues, assessing options and what is practical, or of crucial importance to people accessing care.

Conclusion

As health system lead and steward, we're here to help you carry out your role as Minister, by helping you to set direction, direct resources, and monitor and advise you on progress against your priorities.

We're focused on delivering on your priorities through our various advisory, regulatory and stewardship roles, and supporting you to set direction and monitor performance of the health system over the next three years. We are confident that together we can significantly improve health outcomes, at the same time as working towards a more effective, efficient and equitable health system that improves the health of all New Zealanders .

We know that all our staff, from our highly skilled frontline professionals through to our Executive Governance Team are all dedicated to improving the New Zealand health system, and the communities, whānau and individuals it serves. We look forward to building a strong relationship with you so that we can collectively work towards improved health outcomes for all New Zealanders.

PROACTIVELY RELEASED

Appendix A: Upcoming decisions

This section outlines upcoming decisions required for the incoming Minister(s) within the health portfolio in early 2024 that relate to government process.

Table 4: Upcoming decisions in early 2024 within the health portfolio

Decision needed	Timeframe for decision
<p>s 9(2)(f)(iv)</p> <p>PROACTIVELY RELEASED</p>	