

# Briefing

## Drawdown of COVID-19 Response tagged contingency for 2023/24

<b>Date due to MO:</b>	6 April 2023	<b>Action required by:</b>	11 April 2023
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2023022618
<b>To:</b>	Hon Grant Robertson, Minister of Finance Hon Dr Ayesha Verrall, Minister of Health		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

### Contact for telephone discussion

Name	Position	Telephone
Stephen Glover	Group Manager COVID-19, Strategy, Policy and Legislation	s 9(2)(a)
Maree Roberts	Deputy Director-General, Strategy, Policy and Legislation	s 9(2)(a)

### Minister's office to complete:

- |   |                                    |  |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Decline   | <input type="checkbox"/> Noted               |
| <input type="checkbox"/> Needs change         | <input type="checkbox"/> Seen      | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |  |

Comment:

# Drawdown of COVID-19 Response tagged contingency for 2023/24

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**Security level:** IN CONFIDENCE      **Date:** 6 April 2023

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**To:** Hon Grant Robertson, Minister of Finance  
Hon Dr Ayesha Verrall, Minister of Health

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## Purpose of report

1. This paper seeks decisions from Ministers on an allocation and draw down from the remaining \$450.0 million in the COVID-19 Response tagged contingency.

## Summary

2. In Budget 2022, the Government established a COVID-19 Response tagged contingency (tagged contingency) of \$1.202 billion. In December 2022, Cabinet agreed to draw down \$378.488 million from the tagged contingency to meet public health costs of the COVID-19 response in the 2022/23 financial year. Cabinet also authorised the Ministers of Finance and Health to take decisions on any further funding requests from the tagged contingency. Following reprioritisation to meet costs arising from Cyclone Gabrielle, there is \$450.0 million remaining in the tagged contingency.
3. Ministers are asked to approve the net drawdown of \$183.908 million from the tagged contingency to enable Pharmac and Te Whatu Ora to undertake contract negotiations and secure the resourcing required to deliver COVID-19 response activities in 2023/24.
4. The COVID-19 response proposed in this paper has been "right-sized" to reflect the risks presented by COVID-19 at this stage in the outbreak. It targets additional support to the communities at greatest risk of serious illness from COVID-19, including Māori, Pacific peoples, disabled peoples, the elderly and the otherwise clinically vulnerable. People outside of these cohorts are now able to manage the impact of COVID-19 supported by "business-as-usual" health services.
5. Funding is sought to deliver this response, to:
  - a. complete the current 2023 winter wellness vaccination campaign and continue delivery of a baseline vaccination programme post winter; it also provides for a further winter wellness vaccination campaign in 2024, if this is recommended by the COVID-19 Vaccination Technical Advisory Group (CVTAG)
  - b. purchase sufficient antiviral courses to ensure that Aotearoa's most vulnerable populations retain access to this treatment to significantly reduce their risk of becoming seriously ill as a result of a COVID-19 infection
  - c. ensure eligible New Zealanders can access vaccinations, antivirals, and other necessary supports in a timely manner through additional COVID-19 services in primary care

- d. maintain a minimum level of system preparedness and resilience (including laboratory capacity, surveillance and stocks of personal protective equipment) to respond to future COVID-19 waves or variants.

## Recommendations

We recommend you:

- a) **Note** that the Government established the COVID-19 Response tagged contingency (tagged contingency) in Budget 2022 with an initial balance of \$1.202 billion. **Noted**
- b) **Note** that, in December 2022, Cabinet agreed to draw down \$378.488 million from the tagged contingency to meet public health costs of the COVID-19 response in the 2022/23 financial year [SWC-22-MIN-0239]. **Noted**
- c) **Note** that Cabinet also authorised joint Ministers of Finance and Health to take decisions on any further funding requests from the tagged contingency [SWC-22-MIN-0239]. **Noted**
- d) <sup>s 9(2)(f)(iv)</sup> [REDACTED] **Noted**
- e) **Note** that, following reprioritisation to support the response to Cyclone Gabrielle, \$500 million remains in the tagged contingency, of which \$50 million has been set aside for the Leave Support Scheme. **Noted**
- f) **Note** that the COVID-19 response has been “right-sized” to reflect the risks presented by COVID-19 at this stage in the outbreak, focusing additional support on the communities at greatest risk of serious illness from COVID-19. **Noted**
- g) **Agree** to fund the purchase of additional vaccine doses and antiviral treatments by drawing down <sup>s 9(2)(b)(ii)</sup> [REDACTED] in 2022/23 and <sup>s 9(2)(b)(ii)</sup> [REDACTED] in 2023/24 from the tagged contingency into Vote Health. **Yes/No**
- h) **Agree** to fund the delivery of the National Immunisation Programme by carrying forward the underspend for the COVID-19 Immunisation programme as noted in recommendation d) and allocating \$129.918 million towards the COVID-19 Immunisation Programme in the 23/24 financial year and reprioritise the remaining underspend of <sup>s 9(2)(b)(ii)</sup> [REDACTED] to reduce the additional funding needed to meet the cost of purchasing antivirals in the current year. **Yes/No**
- i) <sup>s 9(2)(f)(iv)</sup> [REDACTED] **Noted**
- j) **Approve** the following changes to appropriations to provide for the decisions in recommendations g, and h above, with a corresponding impact on the operating balance and net debt. **Yes/No**

Vote Health Minister of Health	\$ millions – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
<b>Multi-Category Expenses and Capital Expenditure:</b> Implementing the COVID-19 Vaccine Strategy (MCA) Non-departmental Output Expense: Implementing the COVID-19 Immunisation Programme Purchasing Potential and Proven COVID-19 Vaccines and Other Therapeutics	(149.210)	129.918	-	-	-
<b>Total Operating</b>			-	-	-

- k) **Agree** that the changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply. **Yes/No**
- l) **Agree** that the funding approved in recommendation j) above be charged against the COVID-19 Response tagged operating contingency detailed in recommendation a) above. **Yes/No**
- m) **Direct** officials to provide further advice to joint Ministers on the forecast cost for continuing the COVID-19 Public Health Response, as highlighted in recommendation i) above. **Yes/No**
- n) **Note** that officials will report back to the Minister of Health in June 2024 on options for transitioning future COVID-19 vaccine and therapeutics purchasing into Pharmac's Combined Pharmaceuticals Budget as part of the Budget 2024 process. **Noted**

Hon Grant Robertson  
Minister of Finance  
Date:

Hon Dr Ayesha Verrall  
Minister of Health  
Date:

11/4/23

Maree Roberts  
Deputy Director-General  
Strategy, Policy, and Legislation  
Date: 6 April 2023

# Drawdown of COVID-19 Response tagged contingency for 2023/24

## Background

1. In Budget 2022, the Government established a COVID-19 Response tagged contingency (tagged contingency) of \$1.202 billion. In December 2022, Cabinet agreed to the drawdown of \$378.488 million from the tagged contingency to fund COVID-19 response activities for the period January to June 2023 [SWC-22-MIN-0239 refers]. Cabinet also authorised joint Ministers of Finance and Health to take decisions on any further funding requests from the tagged contingency.
2. Cabinet directed officials to report back to joint Ministers (of Health and Finance) on the funding required for COVID-19 related services and activities for the June to December 2023 period. This paper provides that report back.
3. Cabinet also invited you to report back to the Cabinet Social Wellbeing Committee with the future COVID-19 strategy and advice and options for the future of currently funded services and activities [SWC-22-MIN-0239 refers]. A paper has been prepared to provide these report backs and is expected to be considered in May 2023.
4. Due to reprioritisation of funds from the tagged contingency to meet costs arising from Cyclone Gabrielle, there is \$500.0 million remaining in the tagged contingency, of which \$50.0 million has been set aside for the continuation of the Leave Support Scheme. Ministers are asked to agree to the drawdown of <sup>s 9(2)(f)(iv)</sup> before the Budget Moratorium to enable Pharmac and Te Whatu Ora to undertake contract negotiations and secure the resourcing required to deliver COVID-19 therapeutic and COVID-19 immunisation activities in 2023/24.

## Funding our COVID-19 response through 2023/24

5. The proposals in this paper reflect a relatively benign outlook for COVID-19. We now have high levels of immunity, better access to antivirals, improved surveillance and diagnostics, and open borders. We also have a better understanding of the virus.
6. COVID-19 Modelling Aotearoa (CMA) modelling projects that case numbers are likely to remain low over winter with a central scenario of around 2,100 new cases per day and no new waves or surges in cases. Even under the 'High' scenario of around 4,000 new cases per day, this would be well below the levels of COVID-19 seen over winter 2022 (peaking at 6,300 cases per day between June and August 2022).
7. In this context, most people can manage the impact of COVID-19 with access to their usual health services. At the same time, additional support is targeted the communities at greatest risk of serious illness from COVID-19, including Māori, Pacific peoples, disabled peoples, the elderly and the otherwise clinically vulnerable. The services proposed in this report are designed to work together to ensure these cohorts can access vaccinations, antivirals, and other necessary supports in a timely manner.

## Implementing the COVID-19 Vaccine Strategy (MCA)

8. COVID-19 vaccinations are a critical tool for the long-term management of COVID-19. Vaccination acts as the primary prevention measure to help ensure burden on the health system is minimised, our communities are protected, and those who are vulnerable feel safe.
9. Funding is sought for a vaccination programme that will enable the completion of the current 2023 winter wellness campaign, the maintenance of a "baseline" vaccine programme from October 2023 to March 2024, at <sup>s 9(2)(b)(ii)</sup> [REDACTED] and the delivery of a 2024 winter wellness campaign.

## Implementing the COVID-19 Immunisation Programme

10. Funding of \$129.918 million is sought for to implement the COVID-19 Immunisation Programme. This would allow for the completion of the current 2023 winter wellness campaign and the maintenance of a baseline programme for the October 2023 to June 2024 period of 15,000 vaccinations per month (435,000 doses delivered). The funding would also support the delivery of a 2024 winter wellness campaign, if a decision is made to deliver one, with an expected uptake by 50 percent of the high-risk population groups in the March to June 2024 period (an additional 820,000 doses delivered).
11. Te Whatu Ora's proposed delivery model will remain focussed on outreach services that address existing gaps in priority populations and tailor the expected delivery volume in line with the current uptake trends. Delivery outside of outreach services will continue to be provided through pharmacy and primary care clinics.
12. Due to lower than expected uptake levels, funding provided for the COVID-19 Immunisation Programme for the 22/23 financial year will not be fully utilised, leaving a forecast <sup>s 9(2)(f)(iv)</sup> [REDACTED] unspent and available to be carried forward into the 23/24 financial year. Therefore, I recommend Ministers agree to carry forward funding of \$129.918 million from the 22/23 financial year into the 23/24 financial year for the COVID-19 Immunisation Programme. This will allow the government the flexibility to make decisions on a winter 2024 campaign once the CVTAG provides advice on the minimum time that individuals should wait before receiving further (i.e. 'third' booster or subsequent doses) booster doses. Manatū Hauora intends to seek advice from the CVTAG in the near future to enable Pharmac to initiate purchasing negotiations well in advance of any winter 2024 campaign.
13. The remaining underspend in the 22/23 financial year, which will not be required to fund the COVID-19 Immunisation Programme in 23/24, is <sup>s 9(2)(b)(ii)</sup> [REDACTED]. I recommend that Ministers agree that this funding be transferred into the Purchasing Potential and Proven COVID-19 Vaccines and Other Therapeutics and utilised to reduce the amount of new funding required for the purchase of therapeutics in the current financial year. Manatū Hauora will report back to joint Ministers in June 2024, alongside the In Principle Expense Transfers process, to identify how any changes to the forecast underspend is managed [SWC-22-MIN-0239 refers].

**Table 1: Proposed costs for Implementing the COVID-19 Immunisation Programme 2023/24**

Implementing the COVID-19 Immunisation Programme	Cost	Forecast Underspend 2022/23	Total funding repurposed to Purchasing Potential and Proven COVID-19 Vaccines and Other Therapeutics
Winter wellness 2023	76.861		
Winter wellness 2024	53.057		
<b>Total</b>	<b>129.918</b>		

## Purchasing vaccines and therapeutics

### Vaccines

14. We currently have 1,841,616 vaccine doses in New Zealand (1,678,956 in warehouses and 162,660 at sites around the country) for use in the 2023 winter wellness campaign. Pharmac will need to purchase additional courses between May and September 2023 to sustain the vaccination programme, which can be met out of existing appropriations.
15. I recommend Ministers agree to s 9(2)(b)(ii) for the purchase of s 9(2)(b)(ii) doses (120,000 vials) of the bivalent booster needed to provide for the expected uptake for the remainder of the year, at an average of s 9(2)(b)(ii) for the October 2023 – June 2024 period, factoring in normal wastage. A further s 9(2)(b)(ii) will also allow for the purchase of s 9(2)(b)(ii) more bivalent doses s 9(2)(b)(ii) if a decision is made to deliver a 2024 winter campaign.
16. In addition to providing booster doses, Pharmac will require funding for the purchase of vaccinations for those cohorts aging into eligibility for their primary vaccination. I recommend Ministers agree to funding and drawdown of s 9(2)(b)(ii) to purchase s 9(2)(b)(ii) doses of the adult monovalent vaccine and s 9(2)(b)(ii) million to purchase s 9(2)(b)(ii) doses of the paediatric vaccine.
17. Officials note that if uptake through the 2023 winter wellness campaign is higher than expected, there is a risk that the vaccination programme may not have sufficient doses to meet demand and funding tagged for the 2024 winter wellness campaign may need to be utilised earlier.

### Therapeutics

18. COVID-19 antiviral medicines remain the primary method of reducing the risk of severe illness, hospitalisation, and death from COVID-19 for some of Aotearoa's most vulnerable populations (including older people and Māori). The clinical evidence supports the use of Nirmatrelvir-ritonavir (Paxlovid) as the first line of treatment for COVID-19 in New Zealand. Officials have projected expected usage of antivirals, based on modelling case numbers and expected take-up, including relatively lower demand post-winter.
19. Pharmac has analysed usage from the period when access criteria were most recently widened (14 September 2022) to determine the proportion of cases expected to receive antivirals and used Te Whatu Ora modelling to estimate the number of likely cases. Currently 14.7 percent of COVID-19 cases are dispensed a course of antivirals within their

first five days (2,509 courses dispensed the week ending 26 March 2023), which equates to around 32,500 courses dispensed per quarter at current case rates.

20. Pharmac anticipates having approximately 15,800 courses of Paxlovid on hand at the end of the 2022/23 financial year. Funding is sought to purchase an additional <sup>s 9(2)(b)(ii)</sup> courses of Paxlovid <sup>s 9(2)(b)(ii)</sup> to meet expected demand over 2023/24.
21. I also recommend funding the purchase of <sup>s 9(2)(b)(ii)</sup> of Remdesivir <sup>s 9(2)(b)(ii)</sup> enough for approximately <sup>s 9(2)(b)(ii)</sup> individuals, as a second-line option where an alternative is needed for patients who cannot take Paxlovid due to contraindications.
22. I recommend that Ministers agree to the drawdown of <sup>s 9(2)(b)(ii)</sup> in 2022/23 from the tagged contingency for the net cost of purchasing <sup>s 9(2)(b)(ii)</sup> courses of Paxlovid for use in the first quarter of 2023/24. I also recommend that Ministers agree to the drawdown of a further <sup>s 9(2)(b)(ii)</sup> from the tagged contingency for the purchase of therapeutics over the course of 2023/24.

**Table 2: Proposed costs for the purchasing of vaccines and therapeutics 2022/23 and 2023/24 (\$m)**

Purchasing Potential and Proven COVID-19 Vaccines and Other Therapeutics	Cost	Forecast Underspend 2022/23	Total funding requested for 2022/23	Total funding requested for 2023/24
<b>Primary vaccine doses</b>	<sup>s 9(2)(b)(ii)</sup>			
<b>Bivalent booster doses</b>				
<b>Therapeutics</b>				
<b>Funding repurposed from implementing the COVID-19 Immunisation Programme</b>				
<b>Total</b>				

## National Response to COVID-19 Across the Health Sector (MCA)

### COVID-19 Public Health Response

#### Care in the Community

23. Care in the Community was established to manage the increased levels of COVID-19 in the community and to minimise the burden on our health system. The programme acknowledges the necessary collaboration between the 4 health service pillars (public health, primary care, community care and secondary and) and welfare to ensure safe, effective and equitable care at home. The funding sought for 2023/24 will enable the prioritisation of the delivery of services to those individuals and whānau who are most affected by COVID-19 within the community.
24. After winter 2023, the Auckland hubs and other supports will be scaled down, but a small additional capacity is provided for in Northland and the Auckland Kaupapa Māori hubs. Funding for Alternate Isolation Accommodation ends from 1 October 2023 (or earlier if the mandatory requirement to self-isolate is ended prior to this date). Funding of \$87.3 million is sought for Care in the Community for 2023/24.



*Māori, Pacific and Disability COVID-19 wraparound services*

25. Funding of \$17.1 million for Māori, Pacific and disability COVID-19 wraparound services will enable the continued delivery of whanau-centred and other wraparound COVID-19 health services through to the end of 2023 including:
  - a. access to vaccination and testing services
  - b. wraparound services, including health and social support for cases, families, and those isolating at home
  - c. bespoke communications including recommunicating key messages in a culturally appropriate manner, collaborative approaches to communication, and 0800 telephone lines to provide support for Pacific families.
26. From 1 January 2024, these services will be delivered from Te Whatu Ora and Te Aka Whai Ora baselines.

*Testing and Laboratory Services*

27. Testing remains a key enabler for the COVID-19 response. The \$97.4 million sought will enable the continued payment of primary care consultation costs under current eligibility criteria until 30 September 2023. From 1 October 2023, eligibility for these payments will be aligned with antiviral eligibility. Laboratory PCR processing capacity will be purchased on a "fee per test" basis from 1 July 2023. The funding sought will enable the system to purchase up to 1,500 PCR tests per day from July to November (current 7-day average is 1,028 tests per day). We expect this to reduce to 1,000 per day from November through to the end of June 2024. Within this funding envelope, significant surge capacity for PCR processing will not be retained.
28. Current stock on hand enables the distribution of free RATs to the public to continue until the end of 2023. Community testing infrastructure is retained from 1 July 2023 with 15 community providers until October and focused on deprivation areas from October through until 1 December 2023. There is no funding for further rapid antigen test (RAT) purchases.
29. Ongoing surveillance would be supported by the continued whole genomic sequencing of 400 samples per week with a surge capacity of up to 1,000 PCR samples per week. Wastewater testing is retained across the country through to June 2024.

*Telehealth*

30. Funding of \$24.0 million for Telehealth would maintain a baseline capacity through winter 2023 with a reduced capacity from October to December 2023 (or earlier if mandatory requirements for isolation are removed prior to the end of winter). This will retain capacity to respond to inbound calls and end outbound calls for case investigations. From 1 January 2024, a single COVID-19 Helpline would be in place to receive inbound calls.

### National Investigation Centre

31. The National Investigation Centre (NIC) provides the personnel and systems to ensure that we can accurately investigate cases and clusters to determine the likely spread of the virus within New Zealand. The funding sought would maintain the current service delivery model until the end of winter. From October 2023, NIC capacity will be transitioned to sit under Te Whatu Ora's broader communicable disease management capability for the period of January to June 2024.

### Personal Protective Equipment

32. A phased pathway to transition from COVID-19 personal protective equipment (PPE) supply settings to pre-pandemic purchasing of PPE from 1 October 2023 is proposed to:
- allow Te Whatu Ora to run stock levels down to a 12-week holding level and manage obsolescence risk
  - ease provider reliance on centrally provided and funded PPE, and allow the private market time to meet increased demand
  - continue to support remaining COVID-19 response settings, within available funding.
33. This transition pathway involves the prepurchase of a small volume of PPE in July 2023 to boost stock and ensures maintenance of a minimum 12-week high pandemic use level of stock. Central supply will cease from 1 October 2023 on a product-by-product basis when stock drops to the 12-week holding level or from 1 January 2024 at the latest. At that point, all service providers would be required to fund their own PPE supply.

### Implementing the COVID-19 Public Health Response

34. The table below outlines the requested funding for the COVID-19 public health response across these areas for the 2023/24 financial year. The funding sought to implement the COVID-19 public health response is unlikely to be sufficient to manage a surge or wave like the one experienced in winter 2022 and responding to a surge or wave may strain New Zealand's healthcare system.

**Table 3: Proposed costs of the COVID-19 Public Health Response 2023/24 (\$m)**

COVID-19 Public Health Response	Cost	Forecast (Underspend) / Overspend 2022/23	Total funding requested for 2023/24
Care in the Community	87.300	22.590	109.890
Māori and Pacific Services	17.100	(6.205)	10.895
Testing and Laboratory Services	97.400	25.150	122.550
Telehealth	24.000	(9.540)	14.460
National Investigation Centre	6.900	(10.400)	(3.500)
Personal Protective Equipment	23.100	(0.059)	23.041
Alternate Accommodation	-	(0.580)	(0.580)
Te Whatu Ora Corporate Support	-	(19.060)	(19.060)
<b>Total</b>	<b>255.800</b>	<b>1.896</b>	<b>257.696</b>

35. Further advice will be prepared for Ministers on the amount that should be drawn down from the tagged contingency in 2023/24 to implement the COVID-19 public health response.

### **Next steps**

36. If Ministers agree to the recommendations in this paper, officials will reflect those decisions in the paper 'Aotearoa New Zealand Strategic Framework for Managing COVID-19', which is due to be considered by the Cabinet Social Wellbeing Committee on Wednesday 3 May 2023.
37. Officials will seek advice from the CVTAG in the near future to confirm their advice on frequency and eligibility for future doses, to enable Pharmac to initiate purchasing negotiations well in advance of any winter 2024 campaign.
38. Te Whatu Ora, Manatū Hauora and the Treasury will provide further advice on the funds required to continue the COVID-19 Public Health Response.
39. Manatū Hauora will report back to joint Ministers in June 2024, alongside the In Principle Expense Transfers process, to identify how any changes to the forecast underspend in the Implementing the COVID-19 Vaccine Strategy MCA is managed. Officials will also report back to the Minister of Health on options for transitioning future COVID-19 vaccine and therapeutics purchasing into Pharmac's Combined Pharmaceuticals Budget, and any associated impacts on the National Immunisation Programme, for consideration as part of the Budget 2024 process.
40. Manatū Hauora will work with Te Whatu Ora to ensure that COVID-19 response activities beyond January 2024 can be delivered within baselines and as part of Budget 2024 proposals.

**ENDS.**

Minister's Notes

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982