

# Aide-Mémoire

## Health system transformation update

<b>Date due to MO:</b>	19 June 2024	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2024044638
<b>To:</b>	Hon Dr Shane Reti, Minister of Health		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/>		

## Contact for telephone discussion

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# Aide-Mémoire

## Health system transformation update

**Date due:** 19 June 2024

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**To:** Hon Dr Shane Reti, Minister of Health

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**Security level:** IN CONFIDENCE      **Health Report number:** H2024044638

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**Date of meeting:** 20 June 2024

**Purpose of this advice:** This aide-mémoire summarises the transition from health system reform to transformation, and the progress made in quarter 3 2023/24 (Q3 2023/24). Talking points to support discussions with the Prime Minister are enclosed.

**Background:** The structural reform of the health system will be largely completed by June 2024. However, significant work remains to embed and realise the opportunities envisaged from this reform, and to build the foundations for achieving the ten-year vision - *to achieve longer life expectancy and improved quality for all* (Government Policy Statement on Health 2024-2027 (GPS)).

The significant work remaining includes the integration of systems, processes and technologies following the merger of 28 health entities into Health New Zealand. For example, a single desktop view, HR system, and national view of performance. Further work must be undertaken to integrate across teams within Health New Zealand, and greater collaboration across health entities. This includes greater regional decision-making, and a focus in clinical leadership and governance.

The current challenges facing the health sector, particularly for Health New Zealand, mean that the system priorities for the next three years will be stabilising current services and meeting Government priorities. These priorities include addressing five non-communicable diseases, five modifiable risk factors, and the health targets through delivery of the GPS and the New Zealand Health Plan.

As advised in the aide-mémoire *Health system transformation* of 7 June 2024 [H202404335 refers], the Health System Reform Roadmap has been retired as it was no longer appropriate to the transformation journey envisaged. It will be replaced with a new approach, which is designed to balance both stabilisation and transformation considerations within constrained resourcing, by focusing on a set of five critical areas that collectively address system transformation

objectives and lay the foundations for achieving the ten-year vision.

The five transformation focus areas are:

1. Workforce engagement in the transformation and confidence in the system
2. Shifting care closer to home
3. Ensuring the healthcare system improves equity for Māori and broader high needs populations
4. Establishing a clear and stable system operating model
5. Broader health system elements (eg, other health entities) are integrated across the health system to enable leveraging of joint effort

The transformation focus areas align with the GPS and will ensure those developing actions for the GPS think beyond 2027 to consider what is needed in the ten-year horizon.

### **Updates in Q3 2023/24:**

#### **Completion of the establishment of the entities**

- In 2022 the health reform established new structures, merged 28 entities into one and created a new direction setting framework. Further work needs to be done to establish a sustainable, future-proofed health system, including incorporating Māori Health functions following the disestablishment of Te Aka Whai Ora.
- The significant areas of work remaining to embed structural reform include improving the experience of our workforce, advancing physical and technological infrastructure, and enabling the diffusion and spread of research and innovation to improve the daily experiences of healthcare by New Zealanders.
- Health New Zealand's transformation function has outlined three portfolios of activity to deliver on Pae Ora and reform aspirations (tactical, operational and strategic). They operate in parallel and at many times intersect. The current focus is on completing post-merger integration (including the operating model) and a small number of strategic programmes (eg, virtual health investment and accessible diagnostics).
- Changes to the Health New Zealand Board, including the Chair and four members, is likely to have an impact on Health New Zealand's work programme and approach to transformation.
- The Ministry of Health progressed their organisational change programme, with the new organisational structure announced on 13 June 2024. The Ministry has made progress on establishing its system stewardship role, although further work is required to balance long-term considerations (stewarding) and applying the system's levers confidently to drive results (a dimension of its leadership role).

## **Establishment of regional and local engagement and planning functions**

- In the response to the *Ministerial Advisory Committee on Health Reform Implementation report* (February 2024), Health New Zealand acknowledged that more work is required to strengthen regional input to service delivery, to enable tailoring to local settings. This is particularly important to reflect the Minister of Health's drive for greater regional input, the evolving role of Iwi-Māori Partnership Boards, and emphasis on care closer to home.
- Development of the draft Regional Health and Wellbeing Plans to achieve system-wide transformation priorities have engaged primary, community and hospital networks to plan key deliverables. These plans are currently under development, expected by June 2024 in readiness for implementation from July 2024.
- While regional leadership roles are in place across all functions at Health New Zealand, work to develop regional health service plans has been significantly delayed. These plans must also reflect the Minister of Health's drive to strengthen regional input. Regional Health and Wellbeing Plans, due in December 2023, are now expected by the end Q4 2023/24 following completion of the GPS 2024-2027 and the New Zealand Health Plan. Once in place, these plans are anticipated to deliver to regional needs and to drive greater integration and collaboration, working across siloes.

## **Budget 2024**

- Budget 2024 was completed and announced on 30 May 2024.
- Health New Zealand is in the process of developing a plan of priority activity post the Budget 2024 announcement and will be updating the Health New Zealand Board as well as the revised Health Leadership Forum with progress.

## **Level of workforce engagement and support for reforms**

- Workforce engagement has been an area of risk identified since the first system reform progress report in September 2023. Work continues on the implementation of Te Mauri o Rongo | New Zealand Health Charter, which may assist in addressing workforce engagement.
- Health New Zealand launched its second staff survey in April 2024 to gather further insights on workforce culture and engagement, and work continues on the development of the next Health Workforce Plan.
- Appointments to the key clinical leadership roles were delayed, with the permanent Chief Clinical Officer appointed in April 2024.

## **Clinical governance in place**

- As identified in the Q2 2023/24 System Reform Progress Report, clinical governance required further work. In Q3 2023/24 the Chief

Clinical Officer, Dr Richard Sullivan, was appointed but most other clinical leads remain as interim appointments.

**Key challenges:**

- The Chief Clinical Officer presented an update on Health New Zealand's clinical governance and quality and safety system to the Joint Leaders Group. This included updates on the Clinical Quality Assurance Committee, Clinical Leaders, and National Clinical Governance Group. Further work is to be done to develop the operational framework for clinical governance, leadership and quality, including across regional and district level integration across the system. The operational framework must support the principles of Te Tiriti o Waitangi.
- Improvements in workforce development are critical to demonstrating reform progress and value, and to future-proof the system
- Increasing the health workforce to keep up with the growing demand for services is a long-standing health challenge, exacerbated by pandemic impacts. Managing a single national workforce, including pooling of resources, has enabled investment in immediate workforce priority and pressure areas.
- Further work is needed on regulatory settings to support the development of the health workforce. In addition, the Ministry of Health is developing advice regarding strengthening workforce planning documents between the Ministry of Health and Health New Zealand.
- The Ministry of Health is developing a monitoring framework for workforce. The framework focuses on performance (aspirations, key challenges and areas of change). However, monitoring will also need to consider connections between delivery and strategies, and also establish how assurance is gained on the capability to deliver.
- More focus is needed on communications and engagement for the front-line to visibly see and feel the benefits of change, or morale and engagement will be impaired.
- The health system has long-standing infrastructure challenges and financial sustainability issues
- The health sector has a significant infrastructure deficit. A February 2024 Infrastructure Commission report projects that the expected cost of maintaining and renewing public hospitals over thirty years will be an estimated \$115 billion (four times the current public spending). Even with plans to modernise and reconfigure services, the projections are not close to being financially sustainable – signalling a need for a fundamental change in the relationship between health services and physical hospital infrastructure.
- Achieving clarity about health system infrastructure investment needs and options has been challenging. The Government has taken a transitional approach to provide annual funding for infrastructure needs, until there is greater maturity in the capital planning and

management system and better information is obtained about the condition of assets.

- Health New Zealand has made some progress, completing two key documents in December 2023 that will support long-term infrastructure planning – a National Asset Management Strategy and an Infrastructure Investment Plan (linked to a clinical services and campus plan). These are subject to Cabinet consideration.

**Governance and reporting:**

**System governance and leadership**

- Governance for transformation is being redesigned, with the Health Leadership Forum to be used for oversight from Q1 FY 2024/25. This will ensure that health leaders from across the system will lead the transformation needed and oversee system responses to risks.

**Transformation focus areas**

- The five transformation focus areas will be progressed with health system leaders.

**Monitoring and reporting**

- Reporting for Q4 2023/24 will be addressed in monitoring reports developed by the Ministry of Health.
- From Q1 2024/25, reporting on transformation focus areas will be reflected in system monitoring reports, along with a set of progress markers, and identification of risks and opportunities (to be developed).

**Assurance**

- The System Reform Assurance Office, established in December 2023, is providing me with targeted assurance exercises and advice on how assurance can be delivered following expiry of the System Reform Assurance Office in December 2024.



Dr Diana Sarfati

**Director-General of Health**

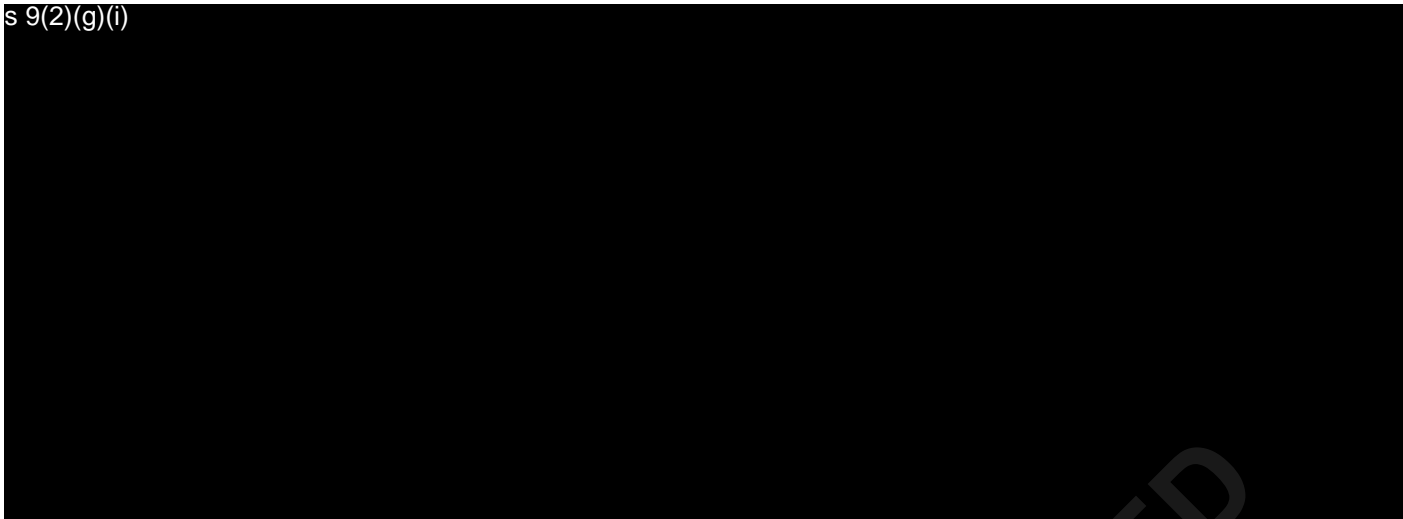
**Te Tumu Whakarae mō te Hauora**

Date: 19 June 2024

# Talking points on health system transformation

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PROACTIVELY RELEASED



PROACTIVELY RELEASED