

# Briefing

## Specialist Crown entities' briefings for the incoming Minister

<b>Date due to MO:</b>	30 November 2023	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2023033263
<b>To:</b>	Hon Dr Shane Reti, Minister of Health		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

### Contact for telephone discussion

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### 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 Withdrawn	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:

# Specialist Crown entities' briefings for the incoming Minister

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**Security level:** IN CONFIDENCE      **Date:** 30 November 2023

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

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## Purpose of report

1. Your office has received briefings for the incoming Minister (BIMs) from the six specialist Crown health entities: Pharmac, the New Zealand Blood and Organ Service, the Health Quality and Safety Commission | Te Tāhū Hauora, the Health and Disability Commissioner, the Mental Health and Wellbeing Commission | Te Hīringa Mahara and the Health Research Council.
2. This memo provides summary information regarding the roles and responsibilities of each entity, key information, and current issues outlined in the BIMs.

## The six specialist Crown health entities

### Pharmac

3. Pharmac is responsible for deciding which medicines and related treatments are publicly funded in New Zealand. This includes negotiating contracts for their provision from suppliers, alongside an increasing role in negotiating contracts for hospital medical devices. Medicines are funded from a capped appropriation for the Combined Pharmaceutical Budget (CPB). Demand for medicines exceeds funding available from savings.
4. Pharmac's BIM describes its roles, responsibilities, operations and current issues well. Current issues to note are:
  - Current time-limited funding totals around \$420 million per year. From 2024/25 onwards, funding has not been provided for recent increases to the CPB, expenditure on COVID-19 vaccines and treatments and the impacts of the removal of the \$5 prescription co-payment.
  - Pharmac states that its operating budget is insufficient to meet increasing demands, especially the next stages of work on medical devices and responding to the independent review. It is increasingly funding deficits from its cash reserves.
  - Work on timeliness of assessment and funding decisions.
  - Rule 8.1b of the Pharmaceutical Schedule which provides cancer medicines to children without following Pharmac's normal processes. Pharmac is nearing the end of consultation on any changes to this regime.
  - Supporting the development of the rare disorders strategy and the next steps for the Therapeutic Products Act.

- The challenges of emerging innovative medicines and treatments, such as cell and gene therapies.

### **NZ Blood and Organ Service (NZBOS)**

5. NZBOS is New Zealand's sole provider of blood, blood products and associated services, including tissue typing. It has taken up responsibility for the co-ordination of deceased organ donation (since late 2020) and has an increasing role in the supply of tissues and cells.
6. Its BIM sets out its roles, responsibilities and focuses on its specialised functions. It identifies the following as key challenges and themes in its current environment:
  - The demand for plasma-derived products is growing at about 10 percent each year. Plasma from New Zealand is sent to Melbourne for processing into immunoglobulin products which are then used for New Zealand patients.
  - Whole blood demand is increasing more slowly with 2 to 3 percent growth forecast.
  - Impacts of COVID-19 on its ability to conduct mobile blood drives, which are only now returning to pre-COVID levels.
  - Greater scope and range of responsibility, including deceased organ donation, heart valve banking and the bone marrow registry.
  - Increasing donation activity to meet demand in the face of donor expectations of a more convenient and personalised experience.
  - NZBOS is in the middle of a step-change in investment in infrastructure (to respond to plasma demand in particular), which has been facilitated by Government provision of \$80.0 million in equity funding over the last 2 years.

### **Health Quality & Safety Commission | Te Tāhū Hauora (HQSC)**

7. The objectives of HQSC are to lead and coordinate work across the health sector, for the purposes of monitoring and improving the quality and safety of health services. Under the Pae Ora Act, HQSC gained two new functions, the ability to make recommendations to any person in relation to matters within the scope of its functions, and to develop a code of expectations for consumer and whānau engagement in the health sector (published in August 2022).
8. Its BIM sets out its roles and responsibilities. It also outlines its view of the current state of the health system and has noted it has work underway to address the challenges mentioned and will continue to monitor and report on significant trends.
9. HQSC has observed the demands on the health system are greater than the system's ability to meet that demand, and that there are entrenched inequities in health status, health care quality and outcomes experienced by Māori, Pacific and disabled people.
10. They provide additional insights into the system context including:
  - Decreased capacity for parts of the health system to engage with quality improvement and assurance activities.
  - The loss of quality structures, capacity and capability to engage with consumers, and lack of clear and consistent escalation pathways for clinical governance concerns.

- Post-operative infection, cardiac arrests in hospital associated with patient deterioration, and falls causing a fractured neck or femur have reduced in recent years.
11. HQSC have noted their expertise in the evidence underpinning development and implementation of targets and have offered to provide additional advice in this area to the Minister if required.
  12. HQSC has also noted its baseline funding will decrease by \$1.4 million in 2024/25 as historical cost-pressure funding received through Budget 21 was for a three-year period only. They are seeking this funding to continue into outyears so that their work programme can continue in its current form.

### **Health and Disability Commissioner (HDC)**

13. HDC ensures that the rights of health and disability service consumers are upheld and encourages health and disability service providers to improve their performance. This includes making sure that consumer complaints are taken care of fairly and efficiently. HDC also funds a national advocacy service to help consumers resolve their complaints.
14. Current issues to note are:
  - HDC is receiving a record number of complaints with volumes sitting about 36 percent above pre-COVID levels. The Ministry is monitoring the growing backlog of complex complaints which require substantial resource to investigate.
  - An external review in 2022 identified outdated IT infrastructure to be a significant barrier to increasing efficiency of HDC's complaints process.
  - HDC is forecasting significant financial deficits in outyears if baseline funding does not increase. The Ministry will continue to work with HDC on their financial performance.
  - HDC is making significant changes to its complaints process redesign and has reported positive results.
  - HDC is also undertaking a review of the HDC Act and the Code of consumer rights and will report to you on findings in December 2024.

### **Mental Health and Wellbeing Commission | Te Hiringa Mahara (MHWC)**

15. MHWC was established as an independent Crown entity in response to He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction. Its role is to provide independent, system-level oversight of mental health and wellbeing in New Zealand. One of its key objectives is to contribute to better and equitable mental health and wellbeing for people in New Zealand.
16. Its BIM sets out at a high level its functions to monitor and advocate for improvement to mental health and addiction services and assess and report on mental health and wellbeing.
17. The Ministry continues to engage with MHWC to develop complementary approaches to monitoring collective and system performance, while ensuring MHWC maintains its independence.

18. It outlines key areas in which it considers the Minister of Health and Minister for Mental Health could drive improvement:
- Bringing a clear focus on mental health and wellbeing alongside broader health outcomes.
  - Providing accessible services, particularly for Māori, rangatahi and young people.
  - Reducing the use of compulsory treatment.
  - Making it easy for communities to support their wellbeing.
19. It also suggests that the Ministers may wish to:
- Include a mental health and wellbeing strategy in the Pae Ora (Healthy Futures) Act.
  - Include a mental health target which focuses on improving access to mental health and addiction services.
  - Allocate funding and instigate work to develop a phased mental health and wellbeing prevalence survey.

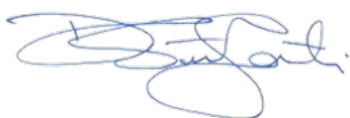
### **Health Research Council (HRC)**

20. The HRC is the Government's principal funder of health research. The HRC's role includes advising on national health research priorities, investing in research that improves the quality, cost effectiveness and sustainability of the health system, strengthening the health research workforce, and ensuring health research is ethical and safe.
21. While the Minister of Health is the responsible Minister for the HRC, most of its funding is derived from Vote Business, Science and Innovation. Officials from the Ministry and MBIE collaborate in monitoring the HRC.
22. A current issue to note is that the HRC's equity balance has grown above the \$15 million threshold where capital charge is payable. This is due to an under-spend of research grant expenditure becoming delayed due to the impacts of COVID-19.
23. To manage this in the short-term, in April 2023, the Ministry of Business, Innovation and Employment has completed rescheduling payments of \$15 million to HRC in the current financial year. The funds will be returned to the HRC in two tranches - \$7.5 million in January 2024 and \$7.5 million in January 2025. The Ministry and MBIE are continuing to work closely with the HRC to mitigate the risk of a capital charge being incurred, and thereby reducing the amount available for health research.

## Recommendations

We recommend you:

- a) **Note** the contents of this memo.
- b) **Agree** to share this briefing with Associate Ministers and the Minister of Mental Health **Yes/No**



Dr Diana Sarfati  
**Director-General of Health**  
**Te Tumu Whakarae mō te Hauora**  
Date: 1 December 2023

Hon Dr Shane Reti  
**Minister of Health**  
Date:



Simon Medcalf  
**Deputy Director-General**  
**Regulation and Monitoring**  
**Te Pou Whakamaru**  
Date: 30 November 2023

## Minister's Notes

PROACTIVELY RELEASED