

Briefing for decision

Primary care health priorities: next steps to improve capitation funding

s 9(2)(f)(iv)

Date due to MO:	30 May 2025	Action required by:	3 June 2025
Security level:	IN CONFIDENCE	Reference:	H2025067084
To:	Hon Simeon Brown, Minister of Health		
Consulted:	Health New Zealand: <input checked="" type="checkbox"/>	Health Assurance Unit: <input checked="" type="checkbox"/>	
Proactive release:	This title is proposed by the Ministry of Health for proactive release: <input type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Steve Barnes	Acting Deputy Director-General, Strategy, Policy and Legislation	s 9(2)(a)
Caleb Johnstone	Group Manager, Strategy, Policy and Legislation	

Minister's office to complete:

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 Withdrawn |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

Comment:

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s 9(2)(f)(iv)

Security level: IN CONFIDENCE **Date:** 30 May 2025

To: Hon Simeon Brown, Minister of Health

Purpose of report

1. This briefing responds to your request on 14 May 2025 for:
 - i. advice on the next steps for reweighting the capitation formula, and
 - ii. s 9(2)(f)(iv)
2. The briefing is one of four provided to you as a package of advice on primary care system settings. The overall cover briefing summarises the key advice, implementation options, and next steps on decisions across the package [H2025067977 refers].

Summary

3. This briefing provides you with additional information on capitation reweighting in response to matters raised at your workshop with Ministry of Health and Health New Zealand (Health NZ) officials on 12 May 2025 s 9(2)(f)(iv)

Capitation reweighting

4. Revising the capitation formula will add additional variables to better reflect the impact of age and sex, and other determinants namely ethnicity, socio-economic deprivation, rurality and multimorbidity on current and expected service use patterns.
5. The reweighted formula is designed to improve the effectiveness of First Contact capitation by targeting resources at the current and expected health needs of the population and distributing resources more effectively across general practice. Practices will experience an increase or decrease in funding depending on their enrolled population. The addition of \$95 million per year performance-based funding is expected to mitigate financial losses for most practices.
6. Sapere Research Group undertook analysis of the impact of level 2 ethnicity on service use as part of the work to reweight capitation. This data provides greater specificity on use within population groups but, at a general practice funding model level, it would be complicated to apply because many practices have very small numbers of patients per weighting. s 9(2)(f)(iv)

7. s 9(2)(f)(iv)

8. s 9(2)(f)(iv)

9. s 9(2)(f)(iv)
s 9(2)(f)(iv)

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Recommendations

Reweighting capitation

We recommend you:

- a) **Agree** that the First Contact capitation formula should include: **Yes/No**
 - i. Age (new age bands of 0,1, 2-4, 5-14, 15-24, 25-34, 35-44, 45-54, 55-64, 65-69, 70-74, 75-79, 80+)
 - ii. Multimorbidity (Pharmaceutical prescribing profile score of P1, P2, P3)
 - iii. Rurality (Geographical Classification of Health U1/U2/R1, R2, R3)
 - iv. Deprivation (Quintile 1, 2, 3, 4, 5)

v. Sex (M/F)

vi. Ethnicity (European/Asian, Māori/Pacific/Other)

b) **Note** that the Ministry has explored including more detailed data on ethnicity in the reweighting of the capitation formula and does not recommend doing so at this point.

c) **Agree** to seek Cabinet agreement to adding the new variables to the **Yes/No** capitation formula.

d) s 9(2)(f)(iv)

e) s 9(2)(j)

f) s 9(2)(f)(iv)

g)

h)

i)

j) s 9(2)(f)(iv)

Steve Barnes
Acting Deputy Director-General
Strategy, Policy and Legislation
Date: 30 May 2025

Hon Simeon Brown
Minister of Health
Date:

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s 9(2)(f)(iv)

Background

13. This briefing is structured in two parts and provides you with the additional advice you requested on aspects of reweighting capitation

s 9(2)(f)(iv)

Capitation re-weighting

14. On 9 May 2025 the Ministry provided you with advice on reweighting the capitation formula for general practice [H202506443 refers]. Revising the formula will better target resources at the health needs of the enrolled population and distribute funding more effectively across general practice to recognise the costs of care.

15. You have requested further advice on:

- a. including a more detailed ethnicity variable in the capitation formula

s 9(2)(f)(iv)

- 16.

s 9(2)(f)(iv)

18. s 9(2)(f)(iv)

Part 1: Reweighting First Contact Capitation

Including ethnicity in the first contact capitation formula

- 19. Evidence shows that ethnicity has an independent impact on health and the use of primary care that cannot be accounted for by factors such as socio-economic deprivation, multimorbidity, nor geography. The ethnicity measure proposed in the Ministry’s advice of 9 May 2025 would reweight the capitation formula for people’s prioritised ethnicity at European/Asian, and Māori/Pacific/Other level.
- 20. As part of the sample data collected, Sapere Research Group analysed level 2 ethnicity, and explored impacts on health use amongst population groups such as Chinese, Indian, Cook Island Māori, Tongan, and Samoan. There were varying patterns of use of general practice at this level, with apparent high level use by young children among the Chinese population and lower level of use for other age groups.
- 21. The granular ethnicity data provides greater specificity on utilisation of care. However, its use together with the other variables of age, gender, socio-economic deprivation, multimorbidity, and geography would result in a funding model that is complex to interpret and apply at a general practice level as many practices have very small numbers of patients per weighting. The current data is also not necessarily statistically robust.
- 22. The Ministry does not consider a more granular breakdown of ethnicity to be a robust or viable option at this point. s 9(2)(f)(iv)

Funding capitation reweighting

- 23. Health NZ intends to reweight capitation from existing baseline funding. In addition to making more effective use of current First Contact funding, the Ministry and Health NZ have explored repurposing other primary care funding streams to help fund the delivery of first contact services [H2025066443 refers].

24. s 9(2)(f)(iv)

s 9(2)(f)(iv)



25. s 9(2)(j)



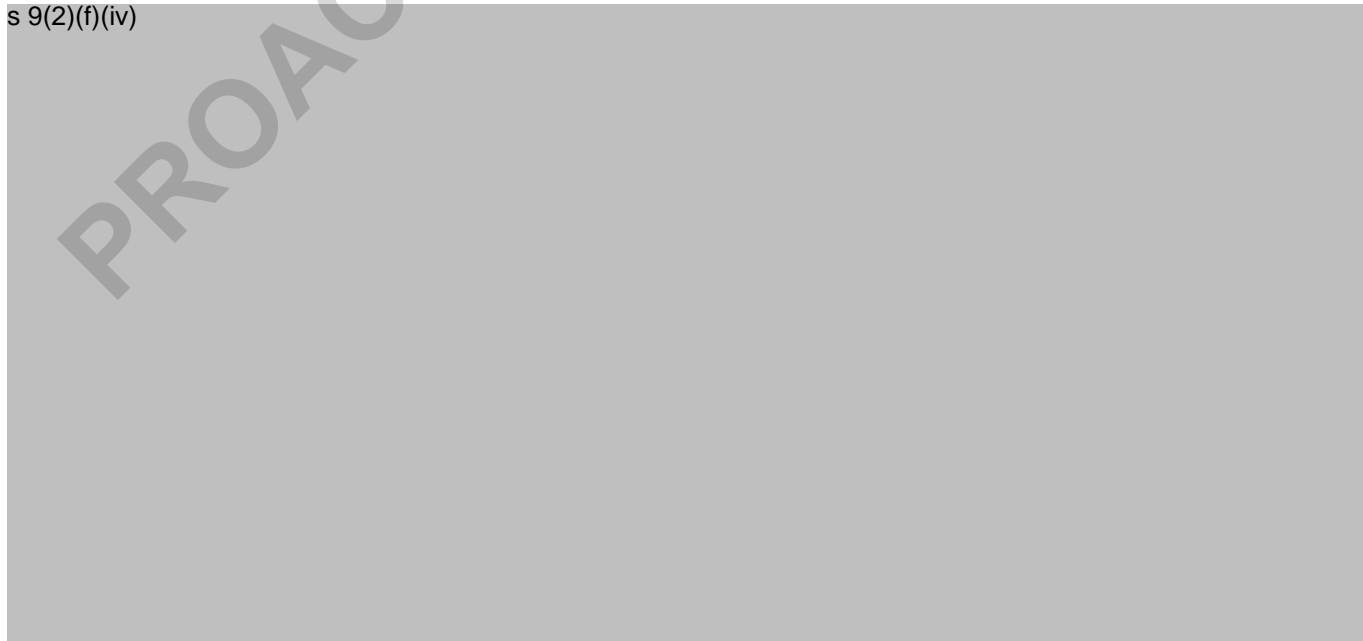
26. First contact funding is subject to the Annual Statement of Reasonable Fee Increase process under the Primary Health Organisation Services Agreement (PHOSA), which assesses the annual cost pressures faced by general practices. This process informs the uplift in First Contact funding that the Crown offers to practices and then how much change to fees can be made by practices. s 9(2)(j)



27. Following your discussions with Ministry and Health NZ officials at the workshop on 12 May 2025 s 9(2)(j)



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Health needs analysis

70. People's health is influenced by a range of determinants including their living environment, and socio-economic deprivation. Different health needs also contribute to patterns of service use and affect the cost of treatment.

s 9(2)(f)(iv)

71. Low income and socioeconomic deprivation are strongly associated with poorer health and unmet need for GP care due to financial costs is increasing. Māori, Pacific Peoples, and New Zealanders with disabilities are disproportionately affected by low-income compared to the population overall. While the New Zealand Health Survey 2023-24 reported that 15.5 percent of the adult population did not visit a GP due to financial cost in the past 12 months, this increased to 22.3 percent of disabled adults, 22.3 percent for Pacific, and 19.6 percent for Māori.¹¹

72. s 9(2)(f)(iv)

73. Reweighting capitation to better recognise the impact of age and other determinants of health, including socio-economic deprivation and ethnicity, is an opportunity to improve the effectiveness of the First Contact formula in better targeting resources at the current and expected health needs of the population and distributing funding more effectively across general practice to recognise the costs of care.

74. s 9(2)(f)(iv)

Next steps

75. Following discussion with you on 3 June, the Ministry can provide you with:
- text on capitation reweighting for your June 2025 Cabinet paper
 - further advice about sector consultation and implementing reweighting as needed.

76. s 9(2)(f)(iv)

77.

ENDS.

¹¹ New Zealand Health Survey 2023-2024. See also, Health and Independence Report 2023 (Ministry of Health, 2024) [Health and Independence Report 2023](#)

s 9(2)(f)(iv)

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