Briefing

Increasing medical school enrolments for the 2024 intake

Date due to MO:	15 March 2023	**Action required by:**	N/A
Security level:	IN CONFIDENCE	**Health Report number:**	H2023021089
To:	Hon Dr Ayesha Verrall, Minister of Health Hon Jan Tinetti, Minister of Education Hon Grant Robertson, Minister of Finance		
Cc:	Hon David Parker, Minister of Revenue Hon Carmel Sepuloni, Minister of Social Development and Employment		
Consulted:	Health New Zealand: ☒ Māori Health Authority: ☒		

Contact for telephone discussion

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Steve Waldegrave	Acting Deputy Director-General, Strategy Policy and Legislation	

Minister's office to complete:

☐ Approved	☐ Decline	☐ Noted
☐ Needs change	☐ Seen	☐ Overtaken by events
☐ See Minister's Notes	☐ Withdrawn	

Comment:

Increasing medical school enrolments for the 2024 intake

Security level:	IN CONFIDENCE	**Date:**	15 March 2023

To:	Hon Dr Ayesha Verrall, Minister of Health
	Hon Jan Tinetti, Minister of Education
	Hon Grant Robertson, Minister of Finance
Cc:	Hon David Parker, Minister of Revenue
	Hon Carmel Sepuloni, Minister of Social Development and Employment

Purpose of report

1. This briefing responds to your request for advice on options to increase the 2024 medical school enrolment cap (the cap). It outlines options to increase the cap, funding requirements, risks and impacts, and agency positions and recommendations.
2. We have also annexed the medical pipeline for your information and to support your decision making.
3. This report discloses all relevant information and implications.

Summary

4. Manatū Hauora (the Ministry), Te Aka Whai Ora and Te Whatu Ora all agree there is a need to grow our domestic health workforce, including the medical workforce. However, any decisions to increase the medical cap should be considered within the wider health system context and workforce priorities. This includes the need to support the growth, development and retention of other health professions, and where the most gains can be made.
5. Increasing the cap has funding implications across several Votes. Historically, increases have been agreed by Cabinet to change policy settings and manage any fiscal implications across Votes. If there is agreement to increase the medical cap in 2024, Cabinet agreement could also be sought for sustainable funding across Votes from 2024/25 onwards to ensure good fiscal management, and that increase can be maintained with certainty.
6. Options to increase medical caps, possible funding arrangements and trade-offs for each option are outlined in the body of the paper. The Ministry of Education indicates Vote Tertiary Education can absorb a portion of the funding to support an increase to the cap by 10 students for 2023/24 ongoing. However, Vote Health funding would need to be transferred to Votes Revenue and Social Development to fund remaining costs for 2023/24, ahead of new funding being sought to cover costs in 2024/25 and beyond. To increase the cap by more than 10 in 2024, Vote Health would need to transfer additional funding to all three Votes.

7. Te Whatu Ora recommends applying up to $2 million from Budget 22's Health Workforce Development Contingency to cover FY23/24 costs across all Votes. This one-year funding stream allows the expansion of the medical cap for 23/24; however will require another (sustainable/long-term) funding stream to continue the increased cap for 2024 onwards.

8. We have considered the costs of this across the forecast period and any other implications. While there is funding in Vote Health for 2023/24, sustainable funding is required across all Votes for the additional students and to maintain the increase in 2025 and beyond. The costs across all Votes increase significantly beyond 2023/24 with maximum costs realised in 2031/32.

9. Manatū Hauora recommends you take a phased approach to increase the cap, starting with an increase of 20 in 2024 to support better fiscal management. However, Te Whatu Ora and Te Aka Whai Ora recommend a steeper initial increase of 50 in 2024.

Recommendations

We recommend you:

a) **Note** all agencies support the need to increase the domestic health workforce to meet current and future service demand.

b) **Note** any increase in the cap will have fiscal impacts on Votes Tertiary Education, Revenue and Social Development (immediately), and Vote Health (over the medium-term), and that the ongoing costs of any such increase are not funded or able to be reprioritised within these Votes' baselines

c) **Note** the Ministry of Education has indicated that Vote Tertiary Education could fund FY23/24 costs of an increase of up to 10 medical school places; but that other Votes' costs and Vote Tertiary Education costs beyond 10 places would require a source of funding

d) **Note** the Treasury has advised that outside of the next Budget process, the only available funding to increase the cap is through the Health Workforce Development contingency

e) **Note** Te Whatu Ora does not support using the Health Workforce Development contingency beyond 2023/24 as this will limit or completely stop the delivery of other workforce initiatives

f) **Note** due to policy and funding implications across Votes, Cabinet agreement is required before 10 April 2023 to increase the medical caps and associated funding arrangements. This process would be led by the Ministry of Education

g) **Agree, in light of the constraints outlined above,** to discuss one of the following options with the Minister of Education and the Minister of Finance:

option 1: officials progress work to increase the medical cap by 20 places in 2024 with a Vote Health transfer for FY23/24 costs to other Votes to cover FY23/24 costs, and FY24/25 and beyond costs to be funded through a Budget bid **Yes/No**

option 2: officials progress work to phase an increase to the medical cap from 20 places in 2024 to 50 in 2027 with a Vote Health transfer of funding for FY23/24 only to other Votes to cover FY23/24 costs, and FY24/25 and beyond costs to be funded through a Budget bid (*Manatū Hauora's preferred option*) **Yes/No**

option 3: officials progress work to increase the cap by 50 with a Vote Health transfer of funding for FY23/24 only to other Votes to cover FY23/24 costs, and beyond costs to be funded through a Budget bid (*Te Whatu Ora and Te Aka Whai Ora preferred*) **Yes/No**

h) **Agree** that should you agree to option 1, 2 or 3, Manatū Hauora, The Treasury, the Ministry of Education, Te Whatu Ora, and the Tertiary Education Commission officials will provide you with a decision paper with details on these three options. **Yes/No**

Steve Waldegrave
Acting Deputy Director-General
Strategy Policy and Legislation
Date: 15/3/23

Hon Dr Ayesha Verrall
Minister for Health
Date:

Increasing medical school enrolments for the 2024 intake

Context

10. As you are aware, New Zealand's health workforce is under pressure, which has been building for some years and further exacerbated by high-pressure winter seasons and the COVID-19 response.

11. To address these pressures, Manatū Hauora (the Ministry), Te Aka Whai Ora, and Te Whatu Ora are undertaking a whole of system approach to health workforce. This focuses on both the immediate pressures and establishing a long-term strategic direction to shift the health workforce system to achieve pae ora – healthy futures for all New Zealanders.

12. Health and education agencies agree that there is a need to grow the domestically trained medical workforce to help address medical workforce shortages. Officials have outlined that increasing the number of students in medical schools is one way to achieve this (H2023020637 refers).

13. However, there is a need to ensure that any increases to the medical school enrolment cap (the cap) aligns with the existing work programme already underway to address workforce pressures. It also needs to help address the under-representation of Māori and Pacific people in our medical workforce and offer more Hauora Māori and rural training pathways.

14. Furthermore, any increases in medical places should include a system-wide view including the system's capacity to accommodate additional graduates, and take into account the need to support growth of other health professions.

Adjusting the medical school enrolment cap

15. Government funding of medical school enrolments is limited by a cap. This is due in part to the high costs associated with training medical students (both at an undergraduate level in academia and vocational training within clinical placements). It is also in place to:

    a. ensure availability of clinical attachments as part of undergraduate training,

    b. manage postgraduate years 1 and 2 (PGY1 and PGY2) placements and associated salaries.

16. Additionally, the cap manages student support costs managed through Vote Social Development and Vote Revenue (which are significantly higher relative to other programmes of study). Increases to the cap generate additional costs across multiple Votes. Accordingly, the process to secure funding for an increase in the cap has been led by the Minister of Health in consultation with the impacted portfolio Ministers, with final decisions made by Cabinet.

17. The current cap on the number of first-year medical school intake is set at 539 equivalent full-time student (EFTS) places.

18. The cap was last increased in 2015 by 34 places as part of Budget decisions that funded the additional and ongoing costs. In 2018, the then Minister of Health agreed to not seek funding from Budget 2018 to fund an increase in undergraduate training places that was committed to by the previous government via a Cabinet decision. This included authorising the Ministry to liaise with the Department of the Prime Minister and Cabinet to rescind the Cabinet minute containing the previous Government's commitment to increase the cap (HR20180173 refers).

19. Any increase to the cap should include a system-wide view and take in to account the need for other health professions as well. This is important when looking at future workforce requirements including multi-disciplinary teams to build flexibility into the workforce, allowing health professionals to work at top of scope, and supported by assistant roles without the constraints of current models.

Increasing the medical cap

Costs incurred to increase the cap

20. As an example, Table 1 provides an estimate of the Votes Tertiary Education, Social Development, and Revenue costs for 2024 and outyears if the cap was increased by 50 places in 2024.

Table 1: Estimated Vote Tertiary Education, Social Development and Revenue costs of increasing the medical cap by 50 places in 2024.

Costs	**$m**	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Vote Tertiary Education	Tuition subsidy	0.846	2.583	4.393	6.67	9.432	10.944	11.163	11.387	11.614
	Internship					0.596	1.311	1.311	1.311	1.311
Vote Social Development	*Student allowance (SA) (Gross SA, SA net of tax, Tax on SA)*	0.587	1.229	1.892	3.141	4.686	5.178	5.28	5.383	5.489
Vote Revenue	*Student loans (lending and associated write-down)*	0.327	0.683	1.055	1.758	2.632	2.924	2.992	3.06	3.128
Total		**1.76**	**4.495**	**7.34**	**11.569**	**17.346**	**20.357**	**20.746**	**21.141**	**21.542**

21. The Minister of Education sets the cap on the number of first-year medical school EFTS places the Tertiary Education Commission (TEC) can fund through tertiary education funding settings. This usually occurs in September before the next academic year, but with an election year, decisions on the cap will be made by June 2023.

22. To increase the medical cap in 2024, for every additional student, funding would usually need to be available from:

    a. Vote Tertiary Education to cover the tuition subsidy and sixth-year trainee intern grant costs,

    b. Vote Social Development and Vote Revenue for student support costs.

23. When considering an increase to the medical cap, unless it is a one-off increase for a cohort of students, ongoing funding is required to maintain the increase for subsequent years. Therefore, certainty of ongoing funding across all associated Votes must be considered before an increase to the cap is agreed.

24. In addition to the tertiary education and student support costs, Te Whatu Ora will incur costs in Vote Health to manage and employ medical graduates in their PGY1 and PGY2 placements from 2027. This will need to be captured in future cost pressure bids through subsequent Budgets, alongside other workforce costs arising from growth in workforce.

25. To note, ***the approximate cost of PGY1 and PGY2 for a single student is $236,417, comprised of their salary, expenses, supervisions costs, and administration costs.***

26. Medical graduates (and graduates of overseas medical schools who successfully complete the New Zealand Registration Examination (NZREX) Clinical) must secure a PGY1 role. This is the only pathway to medical registration in New Zealand.

27. ***From 2027/28 Vote Health incurs costs related to the PGY1 and PGY2 roles. If caps were increased by 20, this would create an additional estimated annual cost of $4.728 million per year. If caps were increased by 50 places this would create an additional estimated annual cost of $11.820 million per year.*** This has formed part of our options analysis as detailed in this paper.

Increasing the medical cap for the 2024 intake

Funding available to increase the cap

28. We understand you have discussed increasing the medical cap for 2024 with the Ministers of Revenue, Education, and Finance, including the need to seek sustainable funding for 2024/25 and beyond.

29. The Treasury has advised that Vote Social Development and Vote Revenue cannot fund the associated student support costs for increases in 2024 through their existing baseline.

30. Education officials have advised that 10 additional students could be funded through Vote Tertiary Education's 2023/24 baseline (this is not inclusive of student support costs) on a permanent / ongoing basis. We are advised from Treasury that ongoing funding for any additional places above this would require either:

    a. diverting funding from existing Vote baselines; or

    b. Ministers deciding to allocate the necessary funding from the Workforce Development Contingency to the costs of the additional roles on an ongoing basis (with associated risks and trade-offs, one which Te Whatu Ora will want to advise).

31. Furthermore, even if the medical cap is increased for a 2024 student intake for one year only, funding from Vote Health will need to be transferred to Votes Social Development and Revenue to increase their 2023/24 baselines. To increase the cap by more than 10 students, additional Vote Health funding will also need to be transferred to Vote Education's 2023/24 baseline.

The Health Workforce Development contingency

32. Given that Vote Health has a multi-year funding arrangement, ***there is no opportunity to enter further bids through the Budget 2023 process***.

33. Budget 2022 provided Te Whatu Ora a $31 million contingency fund for health workforce development over four years. The Health Workforce Development contingency has not been allocated to a single project.

34. Subject to your agreement to draw down the Budget 22 workforce contingency, this could be allocated to increase the medical school enrolment cap in the short term. Costs to increase the cap rises significantly each year.

35. ***As the contingency has a flat funding profile beyond 2023/24 whereas the projected costs of additional medical student trainees rise steeply in the outyears, the contingency is not suitable as a source of ongoing funding*** for meeting the costs in growing medical students. Te Whatu Ora also advise that doing so would also involve sharp trade-offs with Te Whatu Ora's ability to grow other priority workforces, including nursing, midwifery and allied professions.

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s 9(2)(f)(iv)

39. Increasing the medical trainee cap is a significant policy decision that will require support of the Minister of Education and Minister of Finance, and Cabinet approval. The options and financial implications of increases to the caps are described below, including costs across Votes for additional medical places.

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Options analysis

Option 1: increase by 20 students (10 from Vote Education and 10 from Vote Health)

41. Additional to the 10 places that can be funded through Vote Tertiary Education and Vote Health, additional Vote Health funding could be transferred to Vote Tertiary Education to increase the medical cap by a total of 20, starting for the medical student intake in 2024.

42. Progressing an increase of 20 medical places next year will require Te Whatu Ora to prioritise building the health system's capacity to accept more medical graduates by 2029. Te Whatu Ora has indicated this will be possible, in that clinical supervision capacity will have grown sufficiently to support the increase.

43. If the entire contingency was used for this initiative, the final two to three years of the course would not be covered. However, a rephasing of the contingency would allow outyear costs to be funded. Given the ongoing outyear cost is significantly higher than $8 million, this would require Cabinet agreement. The Treasury will support this option if the contingency is rephased. Te Whatu Ora and Te Aka Whai Ora do not support rephasing or using the entire contingency.

44. Based on the information provided to date, Manatū Hauora cannot determine whether using the contingency in full for this initiative is the best use of this funding as the trade-offs are still unknown. Utilising the entire contingency for an increase in medical school placements, while the most fiscally feasible option, does not take the needs of other health professions into account. For this reason, Manatū Hauora does not recommend option 1 at this time.

45. The following table provides an overview of funding source and estimate of costs.

	$m	**2023/24**	**Forecast total**	**2028/29 & outyears**	**10-year total**
Vote Education Funding	Vote Education	0.169	2.899	2.451	14.708
Vote Health Funding	Vote Health	0.169	2.899	11.907	57.260
	Vote Social Development	0.234	2.738	2.072	12.900
	Vote Revenue	0.130	1.530	1.170	7.262
	Total Vote Health	**0.533**	**7.167**	**15.149**	**77.422**
	Total	**0.702**	**10.066**	**17.600**	**92.130**

Option 2: phased increase to medical school enrolment cap (Manatū Hauora's preferred option)

46. This option phases the increase, adding an extra 20 places in 2024, then adding an additional 10 in 2025, 2026, and 2027 until 50 places (or some other desirable figure to meet supply requirements) is achieved.

47. As in option 1, Vote Health funding could be transferred to Vote Tertiary Education to increase the medical cap by 20 in 2024. As in options 1 and 2, Vote Health will need to transfer funding to Votes Social Development and Revenue to cover the student support costs.

48. There is not enough funding in the Budget 2022 Health Workforce Development contingency to fund this option in the long term. The ongoing outyear cost (not

reflected in the table below) is higher than $8 million (from 2027/28 11.947 million) available in the contingency. The Treasury does not support this option due to the uncertainty of sustainable funding, as it pre-commits funds outside of future budget processes.

49. The Ministry recommends a phased increase noting a smaller immediate increase will allow for Te Whatu Ora and Te Aka Whai Ora to utilise a portion of the contingency to address other workforce development needs. Also, with a phased increase, the fiscal risk is more manageable with a smaller immediate increase to the cap and opportunities to stagger the increase further if needed.

50. The following table provides an overview of funding source and estimate of costs.

Funding source ($m)		2023/24	2024/25	2025/26	2026/27	Forecast total
Vote Tertiary Education		0.169	0.517	0.879	1.334	2.899
Vote Health funding	Vote Health	0.170	0.690	1.586	2.953	5.399
	Vote Social Development (transferred from Vote Health)	0.235	0.612	1.132	2.025	4.004
	Vote Revenue (transferred)	0.131	0.34	0.631	1.133	2.353
Total Vote Health		**0.536**	**1.642**	**3.349**	**6.111**	**11.638**
Total		**0.705**	**2.159**	**4.228**	**7.502**	**14.594**

Option 3: increase the medical cap in 2024 by 50

51. As in option 1 and 2, Vote Health funding could be transferred to Vote Tertiary Education to increase the medical cap by 50 in 2024. As in options 1, 2 and 3 Vote Health will need to transfer funding to Votes Social Development and Revenue to cover the student support costs.

52. There is not enough funding in the Budget 2022 Health Workforce Development contingency to fund this option from on an ongoing basis. The ongoing outyear cost (not reflected in the table below) is higher than $8 million (from 2027/28 $17.672 million) available in the contingency. The Treasury does not support this option due to the uncertainty of sustainable funding.

53. Subject to Ministers' willingness to support a Budget 24 bid to cover the ongoing costs across Votes, this is the preferred option for Te Whatu Ora and Te Aka Whai Ora. With material shortfalls across a range of medical workforces and underrepresentation of Māori and Pacific peoples in our medical workforce, Te Whatu Ora and Te Aka Whai Ora support the scaling of medical intakes at the greatest available pace. This would reduce workforce pressure over time; ensure improved domestic sustainability of medical workforces; and improve representation of Māori and Pacific peoples, and the cultural safety of medical care over time.

54. Manatū Hauora does not recommend this option due to the fiscal risk. Increasing the cap by 50 immediately comes with greater risk than a smaller more gradual increase as there is uncertainty in the availability of longer-term funding. In addition, for reasons already specified, it is unclear what trade-offs would need to be made if the entire contingency is used to fund the increase in caps, and what other initiatives could have been considered that may have better addressed some of the challenges facing the health workforce.

55. The following table provides an overview of funding source and estimate of costs under option 3.

Funding source ($m)		2023/24	2024/25	2025/26	2026/27	Forecast total
Vote Tertiary Education		0.169	0.517	0.879	1.334	2.899
Vote Health funding	Vote Health	0.677	2.066	3.514	5.336	14.492
	Vote Social Development (transferred)	0.587	1.229	1.892	3.141	11.593
	Vote Revenue (transferred)	0.327	0.683	1.055	1.758	6.823
Total Vote Health		**1.591**	**3.978**	**6.461**	**10.235**	**22.265**
Total		**1.760**	**4.495**	**7.340**	**11.569**	**25.164**

A Budget bid is required for all options to provide sustainable funding in the longer term

56. Options 1 and 2 can be funded using the Health Workforce Development contingency. However, Te Whatu Ora and Te Aka Whai Ora are only supportive of using the contingency for the 2023/24 year.

57. Due to the lack of sustainable funding and the trade-offs associated with allocating the entire Health Workforce Development contingency without a thorough analysis of what initiatives would be deprioritised as a result, Manatū Hauora's preferred option is option 2.

Equity

58. Any increase in medical school places requires a focus on how it impacts equity. Ideally, we would see increases to the number of Māori, Pacific, and disabled students, as well as people living rurally and in high deprivation areas, being included in the new student intake.

59. The students should be reflective of the communities they will be providing health services for. The Ministry as steward of the health system is committed to monitoring the impacts of the health reforms, including key workforce targets, such as making progress to increase workforce representation.

60. Should a decision be made to increase medical school places, it is recommended officials and university providers design enrolment criteria to address any under-representation concerns and maintain student wellbeing.

Next steps

61. As mentioned, Cabinet agreement will be required to increase the medical trainee cap due to the policy and financial implications. The Cabinet process would be led by the Ministry of Education in close collaboration with Manatū Hauora.

62. As we understand from Officials at the Ministry of Education, Cabinet decision is required before 10 April 2023, preceding the Budget moratorium.

63. Noting the need for ministerial and agency consultation and the conflicting views agencies have, this will be a challenging timeframe to meet. However, subject to your agreement, officials across Health and Education will start to prepare a Cabinet paper setting out your preferred option and seeking agreement for transferring Vote Health funding to enable this.

64. The Ministry of Education has advised that it is open to working with the relevant agencies (including The Treasury) to explore how future decisions about how a cap on funded enrolments could be better aligned with health system decisions.

65. Officials can also report back to you and the Minister of Education on this work and a proposed approach for future decisions about the funding and limits on medical school enrolments – including whether a Budget 2024 initiative would be needed.

ENDS.

Annex One: Medical education and training: funding and obligations

	Medical undergraduate education	NZREX graduates	Prevocational training PGY1 and PGY2	Vocational (specialist) training	Professional development
Description	The University of Auckland and the University of Otago deliver medical undergraduate education.	NZREX Clinical is taken by international medical graduates (IMGs) not eligible for New Zealand medical registration under any other pathway.	2-year training by all graduates of NZ and Australian accredited medical schools and NZREX graduates.	Trainees can apply to enter an accredited postgraduate training programme in a specialised medical area.	Doctors participate in continuing professional development to meet Medical Council of New Zealand (MCNZ) recertification requirements.
Funding	• Vote Tertiary Education a. Student Achievement Component b. Trainee Intern Grants (stipend for students working in year 6) • Vote Social Development (student allowance) • Vote Revenue (student loans)	Applicants pay fee for application and examination	Vote Health • Te Whatu Ora funds districts for clinical placement costs (training and employment in hospitals and community-based attachments) for PGY1 and PGY2.	• Te Whatu Ora funds districts and organisations (eg, Royal New Zealand College of General Practitioners (RNZCGP)) for postgraduate clinical training. • The costs for training programmes (eg, dermatology) for employed trainees incurred by districts. In other cases, organisation such as the RNZCGP may employ trainee.	• Paid by doctor (eg, membership fees with a medical college) and often subsidised by employer
Accountability and responsibility	• Minister of Education sets cap through tertiary education funding settings. • Tertiary Education Commission (TEC) allocates first-year medical school places between the 2 universities. • TEC allocates funding based on mechanism determined by Minister of Education. • Tertiary Education Organisations (TEOs) determine planning and delivery of health education. • MCNZ accredits and monitors medical schools.	IMGs are required to sit and pass the New Zealand Registration Examination Clinical to be eligible for MCNZ registration under any other registration pathway.	• Te Whatu Ora incurs costs in Vote Health to manage and employ medical graduates in PGY placements (salary, expenses, supervision costs, administration costs). • MCNZ accredits districts to provide prevocational training. • Districts coordinate training and maintain accredited prevocational training programme.	• Districts determine numbers of trainees employed and fund their training. • Medical colleges are responsible for running vocational training programmes. • MCNZ accredits and monitors vocational training providers. • MoU between MCNZ and DHBs (being updated) on working jointly and collaboratively regarding doctors withing the service of the DHB).	• Doctors are required to participate in continuing professional development to meet recertification requirements set by MCNZ. • Medical colleges are responsible for running recertification programmes for vocationally-trained doctors. bpac^{nz} administers *Inpractice* recertification programme for doctors registered in general scope of practice. • MCNZ accredits and monitors recertification providers. • Employers are responsible for employing doctors who have high standards of competence and care.
Numbers	Current cap is 539. (Last increased in 2015 by 34 places.)	From 1 July 2020 to 30 June 2021, 89 candidates sat NZREX Clinical and 58 passed (3 exams per year, may include more than one attempt) (MCNZ 2021 annual report).	527 NZ graduates (interns) as at 30 June 2021 (MCNZ 2021 annual report)	• Districts determine numbers of trainees at each level/ speciality. • Medical colleges determine numbers of trainees in vocational training programmes.	All doctors need to participate in recertification programme 18,250 total practising doctors at 30 June 2021 (MCNZ 2021 annual report).
Risk and issues	• Any increase needs to take into account: o high cost of training o availability of clinical placements o university capacity (staffing, infrastructure) o student wellbeing o developing a representative workforce and health system needs o funding over multiple Votes. • TEOs operate in a commercial environment. • Long lead time affecting outyears.	• NZREX graduates need to secure a PGY1 role in a accredited clinical attachment to gain registration. Limited places has created a 'bottleneck' of NZREX graduates progressing to prevocational training. • A pass in the NZREX Clinical is valid for 5 years from date of exam. • NZREX Bridging Programme (pilot) determined by availability of clinical supervision (limited given needs of NZ graduates)	• Advanced Choice of Employment (ACE) recruitment scheme for new New Zealand and Australian graduates for PGY1 positions, but it does not mean applicants will get a job. There is a lost opportunity of employing all people who trained in the New Zealand health system and cultural context. • Hardest-to-staff rural communities do not have PGY1 accredited roles available (eg, for the Voluntary Bonding Scheme).	• There is no control over national numbers of doctors training as specialists as districts determine local trainee numbers. There is no lever to control oversupply of specialties over others. • Specialties relying on a resident medical officer (RMO) roster for service provision may train more trainees than the specialties needing senior doctors. • Medical colleges determine numbers of trainees without reference to wider needs. • Trainees may seek postgraduate places in areas other than those of greatest need.	
Initiatives	Vote Health • **One-year Rural Medical Immersion Programme** (University of Otago). • **Pukawakawa programme** (1 year Whāngarei with 7-week rural placement) (University of Auckland). • **5-week rural health interprofessional training programme** (University of Otago and University of Auckland).	Vote Health • **NZREX Bridging Programme pilot** (Te Whatu Ora). 6-month programme to prepare IMGs for entry into prevocational training. Up to 10 candidates. Based in Auckland started in March 2023.	Vote Health • **Voluntary Bonding Scheme PGY1 (new graduate entry)** in hard-to-staff communities. • **Pilot for NZREX GP pathway pilot** (Te Whatu Ora). 2-year primary care based internship for 8-10 NZREX graduates. Started January 2023. Districts employ trainees. General practices provide setting and supervision.	Vote Health • **Voluntary Bonding Scheme postgraduate general practice trainees** (PGY3–PGY6) in hard-to-staff communities. Top-up income to help repay student loan. • **Support for part of Advanced Psychiatry Registrar Training Programme** • All eligible applications for **general practice training** for 2020 (Budget 2019).	

Briefing

Options to further increase medical school enrolments for the 2024 intake

Date due to MO:	1 June 2024	**Action required by:**	02 June 2024
Security level:	IN CONFIDENCE	**Health Report number:**	H2023026263
To:	Hon Dr Ayesha Verrall, Minister of Health Hon Grant Robertson, Minister of Finance		
Copy to:	Hon Jan Tinetti, Minister of Education		
Consulted:	Health New Zealand: ☒ Māori Health Authority: ☒		

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Maree Roberts	Deputy Director-General, Strategy Policy and Legislation	

Minister's office to complete:

☐ Approved	☐ Decline	☐ Noted
☐ Needs change	☐ Seen	☐ Overtaken by events
☐ See Minister's Notes	☐ Withdrawn	

Comment:

Options to further increase medical school enrolments for the 2024 intake

Security level:	IN CONFIDENCE	**Date:**	01 June 2023
To:	Hon Dr Ayesha Verrall, Minister of Health Hon Grant Robertson, Minister of Finance		
Copy to:	Hon Jan Tinetti, Minister of Education		

Purpose of report

1. This briefing provides you with options to further increase the government funded medical school enrolment cap (the cap). This includes the 20 additional places already agreed to by the Cabinet Social Wellbeing Committee (SWC) on 31 May 2023.

Recommendations

We recommend you:

a) **Note** that on the 31 May 2023, the Cabinet Social Wellbeing Committee supported increasing the medical cap by 20 places to 559 places from the 2024 academic year **Yes / No**

b) **Note** the Health Workforce Development contingency is now exhausted due to funding being allocated to provide for the already agreed additional 20 places

c) **Note** that you have asked for options to further increase the cap by up to an additional 30 places and officials have identified options to achieve this

d) **Note** that an increase beyond 10 to the cap is dependent on a source of ongoing funding being secured and that there is financial risk in options 3 and 4 due to uncertainty of additional funding

e) **Indicate** your preference for one of the following options:

Option 1 – Defer any further increase in the medical cap until Budget 2024 *(recommended by the Ministry of Health (Manatū Hauora) and Treasury Officials)* **Yes / No**

Option 2 – Increase the cap by an additional 10 places in 2024 over and above the 20 places approved by SWC (total increase of 30 places in 2024 to 569 places) through reprioritisation of Vote Health baselines **Yes / No**

Option 3 – Increase the cap by 20 additional places in 2024 as supported by SWC and incrementally add a further 10 additional places each year in 2025, 2026, and 2027 until 50 additional places are achieved through reprioritisation of Vote Health and pre-commitment to Budget 2024 **Yes / No**

Option 4 – Increase the cap by 50 places in 2024 (including the additional 20 places supported by SWC) *(Te Whatu Ora's preferred option)* through pre-commitment to Budget 2024 **Yes / No**

If you agree to recommendation e) Option 2 above, then:

f) **Agree** that tuition subsidies and internship costs for 10 student places for 2024 and beyond be met from reprioritisation within Vote Health baselines **Yes / No**

g) **Approve** the following changes to appropriations to provide for the decision in recommendation f). above, with a corresponding impact on the operating balance and net debt: **Yes / No**

	$m increase/(decrease)					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**Forecast period total**
Vote Health **Minister of Health** **Multi-Category Expenses and Capital Expenditure** Stewardship of the New Zealand health system MCA Departmental Output Expenses: Sector Performance and Monitoring (funded by revenue Crown)	-	(0.234)	(0.654)	(1.090)	(1.718)	(3.696)
Vote Tertiary Education **Minister of Education** **Multi-Category Expenses and Capital Expenditure** Tertiary Tuition and Training (MCA) Non-Departmental Output Expense:	-	0.169	0.517	0.879	1.334	2.899

Qualification Delivery Qualifications at Level 7 (degree) and Above						
Vote Social Development **Minister for Social Development and Employment** Benefits or Related Expenses: Student Allowances Non-Departmental Capital Expenditure: Student Loans	- -	- 0.117	- 0.246	- 0.378	0.032 0.628	0.032 1.369
Vote Revenue **Minister of Revenue** Non-Departmental Other Expenses: Initial Fair-Value Write-Down Relating to Student Loans	-	0.065	0.137	0.211	0.352	0.765
Total Operating	-	-	-	-	-	-
Total Capital	-	**0.117**	**0.246**	**0.378**	**0.628**	**1.369**
	2027/28	**2028/29**	**2029/30**	**2030/31**	**2031/32 & outyears**	**10-year total**
Vote Health **Minister of Health** Non-Departmental Output Expense Delivering Hospital and Specialist Services **Multi-Category Expenses and Capital Expenditure** Stewardship of the New Zealand health system MCA Departmental Output Expenses: Sector Performance and Monitoring	2.364 (4.968)	4.728 (7.853)	4.728 (7.911)	4.728 (7.971)	4.728 (8.031)	21.276 (40.430)

(funded by revenue Crown)						
Vote Tertiary Education **Minister of Education** **Benefits or Related Expenses** Tertiary Scholarships and Awards **Multi-Category Expenses and Capital Expenditure** Tertiary Tuition and Training (MCA) Non-Departmental Output Expense: Qualification Delivery Qualifications at Level 7 (degree) and Above	0.238 1.768	0.524 1.927	0.524 1.971	0.524 2.016	0.524 2.061	2.334 12.642
Vote Social Development **Minister for Social Development and Employment** Benefits or Related Expenses: Student Allowances Non-Departmental Capital Expenditure: Student Loans	0.072 0.937	0.089 1.036	0.090 1.056	0.091 1.077	0.092 1.098	0.466 6.573
Vote Revenue **Minister of Revenue** Non-Departmental Output Expense: Initial Fair-Value Write-Down Relating to Student Loans	0.526	0.585	0.598	0.612	0.626	3.712

Total Operating	-	-	-	-	-	-
Total Capital	0.937	1.036	1.056	1.077	1.098	**6.573**

h) **Agree** that the changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply. **Yes / No**

i) **Note** that the capital expenditure incurred under recommendation g). above is largely expected to be repaid in the future (through student loans), therefore is managed outside the Budget allowances.

Maree Roberts
Deputy Director-General of Health
Date: 01 June 2023

Hon Dr Ayesha Verrall
Minister of Health
Date:

Options to further increase medical school enrolments for the 2024 intake

Context

1. On 31 May 2023 the Cabinet Social Wellbeing Committee (SWC) approved a joint proposal, from you and the Minister of Education, to increase the government funded medical school enrolments cap (the cap) for the 2024 intake [SWC-23-MIN-0059].
2. This proposal sought approval to increase government funded medical school places by an additional 20 for the 2024 intake. This will bring the current funding cap on the number of first-year medical school enrolments from 539 to 559 full-time equivalent student places.
3. This proposal is funded through a combination of reprioritisation of Vote Tertiary Education baselines and from the Health Workforce Development contingency, established as part of Budget 2022 [CAB-22-MIN-0129, initiative 14533].
4. Following the decision from SWC, you with the Minister of Finance requested advice from Manatū Hauora and the Treasury on options to further increase the cap beyond the 20 additional places.
5. We have worked with the Treasury, the Ministry of Education, Tertiary Education Commission (TEC), Te Whatu Ora and Te Aka Whai Ora on developing the options outlined in this briefing.

Options to increase the cap for the 2024 intake including 20 additional places

6. As mentioned, option 1 recommends only increasing the cap to 20 as already agreed by SWC. It further recommends providing advice as part of Budget 2024 whereby officials can assess the need for further increasing the cap in the context of the wider health workforce.
7. Options 3 and 4 require a source of ongoing funding given the Health Workforce Development contingency is now exhausted due to funding being allocated to provide for the already agreed additional 20 places.
8. Option 2 relies on reprioritising existing baseline funding in Vote Health. Funding has been identified within existing Vote Health baselines through the old Health Services Funding (former district health board (DHB Sustainability Fund). However, this fund is meant to be used to progress initiatives to assist and achieve financial sustainability in the health sector. In addition, it could be used for other health workforce priorities that could better support the wider health workforce and other vulnerable professions.
9. Options 3 and 4 require additional funding which could be sourced through the Budget 2024 process and beyond. These options both carry significant financial risk given the uncertainty of additional funding being available.

10. We and the Treasury jointly recommend **option one**, only increasing the cap by 20 (as already agreed by SWC) and providing additional advice on further increases through the Budget 24 process. We do not recommend option 2 due to the trade-offs outlined in this paper and the original purpose of the funding stream. We do not recommend options 3 and 4 due to the absence of a source of ongoing funding and potential impacts on the wider workforce.

11. Treasury has provided the following comment:

    a. *The Treasury strongly advises against options 2, 3 and 4. Option 2 could be funded through the former DHB Sustainability funding held within the Stewardship of the Health System MCA but we strongly do not recommend progressing Option 2 as this funding is needed for its original purpose of progressing initiatives to assist in achieving financial sustainability in the Health sector.*

    b. *Options 3 and 4 are not affordable and would require pre-commitments against Budget 2024. The additional places proposed in these options cannot be sustainably funded through Vote Tertiary Education and Vote Health. There are significant pressures already for Vote Health at Budget 2024 that means funding the increase via a precommitment will constrain the options available for funding initiatives within allowances.*

12. Te Whatu Ora recommend option 4 and they are confident that they have placement and supervisory capacity to manage the increase in the cap.

Other funding sources were explored

13. Ministry of Health (Manatū Hauora) Officials considered several funding sources to support additional increases to the cap including the Strengthening the Ministry of Health in its Role as Chief Steward of the Health and Disability System – Contingency Fund, established at Budget 2022. However, we do not recommend using this fund.

14. s 9(2)(f)(iv) [redacted] This is a significant investment, which cannot be met within existing baselines without adding additional pressure on our core business if we were required to reprioritise funding.

15. The Treasury have previously been supportive of the contingency being used for this original purpose as they see it as part of our stewardship role. The risks of not progressing this work would impact on our ability to ensure that the schedule and milestones across all workstreams for successful delivery in 2026.

16. Manatū Hauora is also facing cost pressures that have not been addressed as part of Budget 23. We are expected to meet these costs from this tagged contingency. Therefore, we do not believe that this a source of funding that should be considered for this initiative.

17. All options are discussed in more detail below.

Option 1: Maintain 20 additional places in 2024 and review further changes to the cap

18. This option proposes to maintain the 20 additional places agreed at SWC on 31 May 2023. Additionally, this option directs health and education agencies to work together and provide supplementary advice on further increasing the cap as part of the Budget 2024 process. This would involve Ministers of Health and Education to put forward a joint budget initiative for consideration by Budget Ministers and Cabinet in early 2024.

19. This option enables officials across health and education agencies to ensure any proposed increases are matched to demand, and that funding is established before any commitments are made. It will also ensure other workforces and priorities are considered as part of developing this advice.

20. As outlined in the Cabinet paper on increasing medical school enrolments [SWC-23-MIN-0059], an increase of 20 places will be managed and funded using both the Health Workforce Development contingency and funding within Vote Tertiary Education.

21. The Health Workforce Development contingency would be exhausted and therefore closed following the implementation of this increase.

We recommend progressing with option 1

22. This option provides ongoing financial certainty for implementation along with the scope to further increase the cap subject to budget 2024 decisions. We consider that this option best achieves the balance of meeting the objective of growing our domestically trained medical workforce to help address shortages while maintaining the policy intent of the established funding cap on medical school enrolments.

23. As outlined in our previous advice, the cap is established for varied reasons including the high costs associated with training medical students, to ensure availability of clinical attachments as part of undergraduate training, and to manage postgraduate years 1 and 2 placements and associated salaries. Additionally, the cap manages student support costs managed through Vote Social Development and Vote Revenue, which are significantly higher relative to other programmes of study.

24. New Zealand needs more medical practitioners to meet the needs of our growing and ageing population, and to achieve health equity and pae ora. However, we are keen to ensure that investments over time in our medical workforce are complementary to, rather than at the expense of, growth for our nursing, midwifery, allied, and care and support workforces.

25. We will utilise our newly developed Health Workforce Strategic Framework [HR2023022175 refers] to ensure we approach workforce challenges, such as shortages, in a systematic way that considers impacts to the wider public sector system. This means not only focusing on growing and training our workforce, but how we also support employers to make New Zealand an attractive place to work and stay.

Option 2: Increase the cap to 30 additional places in 2024 by reprioritising existing baseline funding in Vote Health

26. This option proposes to increase the cap to a total of 30 additional places. This includes the additional 20 places approved by SWC, plus 10 additional places. Progressing with

this option will bring the current funding cap on the number of first-year medical school enrolments from 539 to 569 full-time equivalent student places.

27. Officials estimate that this option will cost an additional (on top of 20 additional places) total of $0.235 million in operating funding and $0.117 million in capital funding in 2023/24, and a total of $40.428 million in operating funding and $6.573 million in capital funding over ten years. This option would require ongoing funding of $8.031 million per annum.

Table 1: Costings of increasing the cap to 30 additional places in 2024 by reprioritising existing baseline funding in Vote Health

Additional 10		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	TOTAL
Operating costs	Vote TE	0.169	0.517	0.879	1.334	2.006	2.451	2.495	2.540	2.585	14.974
	Vote SD	0.000	0.000	0.000	0.032	0.072	0.089	0.090	0.091	0.092	0.466
	Vote Revenue	0.065	0.137	0.211	0.352	0.526	0.585	0.598	0.612	0.626	3.712
	Vote Health	0.000	0.000	0.000	0.000	2.364	4.728	4.728	4.728	4.728	21.276
Capital costs	Vote SD	0.117	0.246	0.378	0.628	0.937	1.036	1.056	1.077	1.098	6.573
Total Opex		**0.235**	**0.653**	**1.090**	**1.718**	**4.968**	**7.853**	**7.911**	**7.971**	**8.031**	**40.428**

28. We could fund the additional 10 places from the District Health Board (DHB) Sustainability Funding held in the Ministry of Health's Stewardship of the New Zealand Health System Multi Category Appropriation baselines, which has not yet been allocated to any projects. This sits within Vote Health.

29. In 2019, Cabinet approved funding of $23.681 million per annum from 2019/20 onwards to improve the financial sustainability and performance of DHBs [CAB-19-MIN-0174.19 refers]. It was intended to support Manatū Hauora to fund the delivery of work programmes to improve the financial sustainability and performance of DHBs (and now Te Whatu Ora) and to enable Manatū Hauora to drive performance accountability and assurance while Te Whatu Ora is building up its strategic finance performance and capability.

30. Reprioritising funding from the DHB Sustainability Funding would be able to cover funding for an additional 10 places.

We do not recommend this option for the reasons set out below

31. We together with Treasury do not recommend using the former DHB Sustainability funding to progress this option as this funding is needed for its original purpose of progressing initiatives to assist in achieving financial sustainability in the health system.

32. In addition, there are likely impacts and trade-offs on other workforces, both within health and the wider public sector with further increasing the cap. Other workforces would benefit from additional funding and should be considered, for example midwifery.

33. While Te Whatu Ora have advised that workforce pressures are operationally manageable, further increasing the cap by 10 places may have impacts on workforce pressures, especially on Senior Medical Officers.

Option 3: Increase the cap to 20 additional places in 2024 and adding 10 additional places each year until 50 additional places is achieved

34. This option phases the additional increase, adding an extra 20 places in 2024 (as agreed by SWC), then adding an additional 10 in 2025, 2026, and 2027 until an increase of 50 places is achieved. Progressing with this option will bring the current funding cap on the number of first-year medical school enrolments from 539 to 589 full-time equivalent student places from 2028.

35. Officials estimate that this option will cost an additional (on top of 20 additional places) total of $0.235 million in operating funding and $0.117 million in capital funding in 2023/24, and a total additional operating cost of $73.340 million funding and $13.216 million in capital funding over ten years. This option would require ongoing operating funding of approximately $23.734 million per annum from 2031/32.

Table 2: Costings of increasing the cap to 20 additional places in 2024 and adding 10 additional places each year until 50 additional places is achieved

Additional funding needed		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 & out-years	**TOTAL**
Operating costs	Vote TE	0.169	0.686	1.564	2.729	4.218	5.791	6.951	7.485	29.594
	Vote SD	0.000	0.000	0.000	0.032	0.104	0.193	0.251	0.270	0.850
	Vote Revenue	0.065	0.202	0.413	0.699	1.089	1.463	1.710	1.795	7.436
	Vote Health	0.000	0.000	0.000	0.000	2.364	7.092	11.820	14.184	35.460
Capital costs	Vote SD	0.117	0.363	0.742	1.252	1.944	2.601	3.029	3.168	13.216
TOTAL OPEX		**0.235**	**0.888**	**1.977**	**3.460**	**7.775**	**14.538**	**20.732**	**23.734**	**73.340**

36. As per option 2, the former DHB sustainability funding can be utilised to cover the costs for a period of time. However, from 2027/28 onwards there will be an increasing funding gap over and above what can be provided through this funding, rising to in excess of $3 million per annum.

37. s 9(2)(f)(iv) [redacted]

We do not recommend this option for the reasons set out below.

38. As with option 2 such an increase may exacerbate the impacts on workforce pressures, especially on Senior Medical Officers for supervision purposes.

39. s 9(2)(f)(iv) [redacted]

40. Additionally, we are unclear on the trade-offs and impacts on the wider health workforce and how this will impact our opportunities to grow, support and train our wider workforce across the public sector. For example, we may wish to prioritise the growth and retention of our midwifery workforce.

Option 4: Increase the cap to 50 additional places from 2024

41. This option proposes to increase the cap to a total of 50 additional places in 2024. This includes additional 20 places agreed at SWC plus 30 additional places funded from a combination of the DHB sustainability fund in Vote Health and a pre-commitment either against Budget 2024 or from funding provided to Te Whatu Ora, which would require them to achieve some form of efficiencies to enable this funding to be freed up.

42. Officials estimate that this option will cost an additional (on top of 20 additional places) total of $0.702 million in operating funding and $0.351 million in capital funding in 2023/24, and an additional total of $121.290 million in operating funding and $19.719 million in capital funding over ten years. This option would require ongoing funding of $24.093 million per annum from 2031/32.

Table 3: Costings for increasing the cap to 50 additional places from 2024

Additional funding needed		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 & out-years	**TOTAL**
Operating costs	Vote TE	0.507	1.551	2.637	4.002	6.018	7.353	7.485	7.620	7.755	44.928
	Vote SD	0.000	0.000	0.000	0.096	0.216	0.267	0.270	0.273	0.276	1.398
	Vote Revenue	0.195	0.411	0.633	1.056	1.578	1.755	1.794	1.836	1.878	11.136
	Vote Health	0.000	0.000	0.000	0.000	7.092	14.184	14.184	14.184	14.184	63.828
Capital costs	Vote SD	0.351	0.738	1.134	1.884	2.811	3.108	3.168	3.231	3.294	19.719

TOTAL OPEX	**0.702**	**1.962**	**3.270**	**5.154**	**14.904**	**23.559**	**23.733**	**23.913**	**24.093**	**121.290**

We do not recommend this option for the reasons set out below.

s 9(2)(f)(iv)

[redacted]

44. As with options 2 and 3, this option may also exacerbate the impacts on workforce pressures, especially on Senior Medical Officers for supervision purposes. Finally, we recommend a system-wide approach to tackling workforce challenges such as shortages and progressing with this option may have trade-offs for other workforce that we have not yet considered.

Equity

45. Any increase in medical school places requires a focus on how it impacts equity. Ideally, we would see increases to the number of Māori, Pacific, and disabled students, as well as people living rurally and in high deprivation areas, being included in the new student intake. However, further increasing the cap also risks losing focus on better representation of these groups in other workforces.

46. The students should be reflective of the communities they will be providing health services for. Health and education agencies are committed to work together with the responsible tertiary providers to ensure that additional places are applied to match health system demand with a focus on growing Māori, Pacific, and rural intakes.

47. We recommended relevant health and education agencies and university providers to work together and design an enrolment criterion to address any under-representation concerns and maintain student wellbeing.

Next steps

48. Subject to your agreement for the options outlined in this briefing, we will work with Education and Treasury officials to provide an updated joint Cabinet paper on further increasing the medical school enrolments for the 2024 intake, if needed.

49. The joint Cabinet paper with the Minister of Education will be considered by Cabinet on 6 June 2023.

50. Officials will report back to you and the Minister of Education on this work and a proposed approach if your preferred option requires a Budget 2024 initiative.

ENDS.

Minister's Notes