

In Confidence

Office of the Minister of Health

Cabinet Government Administration and Expenditure Review Committee

Update on progress of the health system reforms

Proposal

- 1 This paper provides a report-back on the progress of the health system reforms which came into effect on 1 July 2022 alongside the enabling legislation, the Pae Ora (Healthy Futures) Act 2022.

Relation to government priorities

- 2 A long-term programme of reform of the health and disability system was signalled in the Government's manifesto and the Speech from the Throne in 2020. This drew on the recommendations of an independent Health and Disability System Review released in March 2020.

Executive Summary

- 3 The New Zealand health sector is currently implementing the Government's health system reforms which aims to achieve pae ora | healthy futures for all New Zealanders by addressing barriers to achieving equity, reducing variation and supporting partnership across the health sector.
- 4 Since 1 July 2022, Day 1, progress has been made including the formal establishment of the new health entities, Te Whatu Ora | Health New Zealand and Te Aka Whai Ora | Māori Health Authority, the formal recognition of 11 iwi-Māori partnership boards and the establishment of localities in 12 areas across the country. This is all the more significant as it was achieved while continuing to deliver services on which lives depended during a pandemic.
- 5 The health reforms are an ambitious, but necessary, programme of change. At such a large scale, this reform is complex. Reform occurring in an environment of increased demand and pressure for the health workforce is additionally challenging and presents some risks to service access and performance.
- 6 The first year of reform implementation has ended with a better understanding of the challenges ahead. Ongoing focus will be required on a detailed reform implementation roadmap, clear communications and change management approaches to ensure the health system collectively embraces and delivers on the vision of reform.
- 7 I have provided clear expectations to the entities for the next stage of reform implementation. I propose the Minister of Health provide a further report on reform progress to the Cabinet Government Administration and Expenditure

Review Committee in November 2023 ahead of Cabinet decisions on health system funding for 2024.

The 2022 health system reforms and its objectives

- 8 In March 2021, Cabinet agreed to a major set of reforms for the New Zealand health system [CAB-21-MIN-0092]. These reforms aim to achieve the vision of pae ora | healthy futures for everyone in New Zealand by addressing longstanding barriers to achieving equity, by reducing variation and supporting collaboration and partnership across the health sector.
- 9 At the heart of the reforms are five objectives:
 - 9.1 Partnership – to develop a system that partners meaningfully with Māori and the communities that it serves; and that works collaboratively across organisations to improve health and wellbeing.
 - 9.2 Equity – to tackle persistent inequities in health outcomes and access to services for many of New Zealand’s communities.
 - 9.3 Person and whānau-centred care – to refocus the design and delivery of health services around the needs and aspirations of people.
 - 9.4 Sustainability – to prevent, reduce or delay health need wherever possible, and ensure a more financially sustainable system.
 - 9.5 Quality – to drive improvements in the quality and safety of care and reduce variation between services and areas.
- 10 The health reforms are underpinned by the Pae Ora (Healthy Futures) Act 2022 (the Act) and include:
 - 10.1 structural changes through the creation of new entities,
 - 10.2 health sector principles to guide decision-making and to give effect to the principles of Te Tiriti o Waitangi,
 - 10.3 a fundamental shift in how iwi, hapū and whānau Māori and communities can participate in the health system through the establishment of iwi-Māori partnership boards and localities.
- 11 Cabinet’s Social Wellbeing Committee noted the intended characteristics of the reformed system from Day 1 (1 July 2022), and an initial roadmap for the first three years of the reformed system. It also noted that this roadmap would continue to evolve with the input of incoming boards and chief executives of the new agencies as they confirmed plans. It was acknowledged many key features and intended outcomes would take time beyond Day 1 to realise [SWC-21-MIN-0163, SWC-22-MIN-0089].
- 12 Cabinet invited the Minister of Health to continue to report quarterly to the Cabinet Government Administration and Expenditure Review Committee on progress with implementation of reforms [SWC-22-MIN-0089].

Governance and leadership of system reform implementation

- 13 Implementation of the Government's health system reform is one of the most complex change programmes currently underway in New Zealand. It requires planning, co-ordinating and delivering multiple streams of work across new entities while building relationships and maintaining ongoing health services to New Zealanders. Mechanisms have been put in place to provide guidance and assurance on the progress of the reforms.
- 14 The **Boards of Te Whatu Ora and Te Aka Whai Ora** have an important role in monitoring and driving performance to make the strategic shifts intended through the reform programme. We need strong governance in place, with clear priorities and a performance approach that ensures accountability and delivery. It is my goal to see the Boards strengthened over time.
- 15 The **interim Hauora Māori Advisory Committee** advises me on directions and the expectations I set for Te Aka Whai Ora and making appointments to its board. I have also invited the Committee to provide me with independent advice on the approach and progress made by Te Aka Whai Ora.
- 16 The **Ministerial Advisory Committee on health reform implementation** provides me with independent advice on the implementation of the health reforms for the first two years of the reform including delivery, benefits and risks.
- 17 A **Joint Leaders Group** comprises the Director-General of Health and the Chief Executives of Te Aka Whai Ora and Te Whatu Ora. This group ensures collective leadership of the reform programme and identification and management of risks.
- 18 A **System Reform Integration Office** has been established within Manatū Hauora and will provide system level assurance and advice on the progress of the health reforms.

Progress against system reform Year 1 expectations

- 19 Below I outline progress against Year 1 milestones in four key areas previously discussed by Cabinet [SWC-22-MIN-0089].

Progress in the delivery of direction-setting components

- 20 Key mechanisms expected to be in place to set the direction for the reformed system in the first year have been delivered including the Pae Ora legislation; the interim Government Policy Statement on Health; the interim New Zealand Health Plan I Te Pae Tata; and Budget 2022 funding.
- 21 The Budget 2022 funding package was intended to provide funding certainty for the first two years of the system reform. This transitional arrangement was intended to provide entities time to establish mature governance and accountability settings, and in turn support the move to a full three-year funding arrangement from Budget 2024. Delivery of Budget 2022 initiatives by

both Te Whatu Ora and Te Aka Whai Ora are behind what was anticipated at Budget 2022. Both entities are actively working to accelerate delivery where possible and reporting progress to me monthly.

- 22 Te Pae Tata, which includes the Te Whatu Ora Māori Health improvement plan, was considered by Cabinet on 19 October 2022. Te Pae Tata is an ambitious first expression of our vision for a national health plan with over 187 actions identified. Good progress has been made in programme establishment and some specific activities, but some initiatives are making slower progress while the health system addresses current pressures and constraints. Ongoing focus will be required to deliver on the promise of Te Pae Tata. I am pleased to see development of this first national health plan has provided important lessons that are being taken on board and will mean a stronger product is delivered through the next iteration due in 2024.
- 23 Also in October 2022, the Health Quality and Safety Commission I Te Tāhū Hauora published their new code of expectations for the health entities' engagement with consumers and whānau. This was a requirement of the Act and is a significant step forward in ensuring health entities support consumer and whānau engagement that enables their voices to be heard.

Establishment of structures and functions

- 24 Structural features expected to be in place on Day 1 included key settings for the new entities to run the health system at different levels including regional and local arrangements, for instance the recognition of iwi-Māori partnership boards and locality prototypes.
- 25 Over the two years following Day 1, Cabinet anticipated:
- 25.1 the entities would deliver their plan to roll out the locality approach to all areas, learning from the prototypes
 - 25.2 Te Aka Whai Ora would carry out the statutory process to recognise iwi-Māori partnership boards and support them to build capability
 - 25.3 Manatū Hauora's change programme would be completed to strengthen its core functions, with its system monitoring function moving towards an outcome-focused approach.

Progress in the development of reformed structures and functions

- 26 The majority of changes anticipated by Cabinet at this stage of the reforms have been put in place.
- 27 Some decisions by the new entities have taken slightly different directions from those originally designed, for example regional and local arrangements and a longer than expected timeframe for the delivery of the New Zealand Health Charter. I comment more on these below.
- 28 Transition to the new system of three health entities, Te Whatu Ora, Te Aka Whai Ora and Manatū Hauora, came into effect successfully on 1 July 2022

with no reports of significant disruption to health sector operational delivery. This represents a significant achievement. Transfers of assets, contracts and staff were executed between the agencies using agreements endorsed by the Ministers of Finance and Health under the Health Sector (Transfers) Act 1993.

Establishment of Te Whatu Ora and regional arrangements

- 29 The establishment of Te Whatu Ora has required significant effort, ensuring the simultaneous management of ongoing health service delivery while establishing completely new operating structures and accountabilities.
- 30 Te Whatu Ora successfully stood up Day 1 systems drawing together 29 entities comprising 85,000 full time equivalent staff. Reporting lines for the disestablished district health boards were initially made to four interim regional directors to ensure stability of service delivery July – December 2022. In parallel, national leadership positions were established to consolidate back office and delivery teams to single points of accountability from the previous local leadership. National functions and teams were initially formed by primarily re-deploying people from within the existing workforce. The executive leadership team is now in place.
- 31 In March 2023, Te Whatu Ora began the next phase of organisational change process to achieve a health sector ‘nationally planned and coordinated for consistency; regionally empowered to implement and integrate and provide locally tailored delivery of care’. Consultation with staff is scheduled between 30 March 2023 and 1 July 2023 with final decisions expected in July 2023. Over 5,000 non-clinical staff are potentially affected.
- 32 It will be critical that Te Whatu Ora’s transformation programme ensures the entity’s staff and health workforce understand the vision for change and are part of building new culture and ways of working. The pace of organisational change has been balanced against the risks of disruption to service delivery, resulting in a relatively slow process. However, organisational change that takes too long or is not effective could impact organisational performance and stability. Ongoing monitoring will be needed to ensure the pace of change remains appropriate.
- 33 The original design for Te Whatu Ora’s internal organisation arrangements included [CAB-21-MIN-0092]:
- 33.1 four regional divisions with regional commissioning boards within Te Whatu Ora, to be led by regional chief executives, to commission primary and community health services, in collaboration with Te Aka Whai Ora; and
 - 33.2 hospital and specialist services consolidated into four regional networks, planned nationally by Te Whatu Ora and delivered through regional divisions to align with primary and community services.
- 34 The current proposed design for Te Whatu Ora appears to differ from the original design by grouping functions regionally (for example commissioning,

or hospital services) which then report through to a national lead. In part this is to avoid unwarranted regional variation and avoid potential conflict between leadership decisions at national and regional levels.

- 35 Te Whatu Ora has however, worked to achieve the intention of alignment by establishing Regional Integration Teams co-chaired by Regional Directors for Commissioning and Te Aka Whai Ora. Regional Integration Teams also include regional leadership from the National Public Health Service, Pacific and Service Improvement & Innovation. This brings a whole of system view to the delivery of services, from population health and prevention to primary care to hospital and specialist settings. The co-chairing arrangement is intended to embed an equity lens in regional decision-making. Te Whatu Ora is in the process of connecting their Regional Integration Teams to Regional Public Service Commissioners.
- 36 These arrangements may be appropriate design adaptations. I have asked to see how the organisational strategy and operating model is driving the strategic shifts intended through the reform programme. I have also asked for a clear picture of decision-making points, including delineation of leadership and decision-making at national, regional and local levels.

Locality prototypes

- 37 Twelve geographic areas have been officially recognised as localities, with work underway on locality plans, supported by learning collaboratives and digital collaboration hubs. Te Whatu Ora is on track to meet statutory requirements to have all locality boundaries defined by 1 July 2024 and all locality plans in place by June 2025.
- 38 Localities are a promising element of the reforms and are key to the transformation of the primary and community health sectors. However this work will take time to fully embed as there is need for greater clarity on the key design elements of localities and how they relate to other parts of the system. Manatū Hauora is working on a view of reformed primary and community care and I expect to bring this work to Cabinet in June 2023.
- 39 In the meantime, important stakeholders are eager to engage on the form and implementation of localities, and I have therefore scheduled a range of discussions alongside leaders from Te Whatu Ora.

Establishment of Te Aka Whai Ora and iwi-Māori partnership boards

- 40 The establishment of Te Aka Whai Ora has been a significant effort, requiring new functions and the building of capability and capacity. There is a considerable amount of hope and expectation attached to the establishment of Te Aka Whai Ora and Health Ministers have communicated to the entity the importance of achieving tangible and measurable change in the health and wellbeing for Māori and communicating this to our communities.
- 41 Te Aka Whai Ora has made considerable progress in designing its operating model and the organisation of its functions, although the implementation of its

final organisational structure is not yet complete due to the large transfers of staff from Te Whatu Ora in late 2022. Concerted effort is still required to ensure the entity has the capability and capacity to deliver on its core functions.

- 42 Committed effort by Te Aka Whai Ora working with Manatū Hauora to establish iwi-Māori partnership boards resulted in the first tranche of 11 being formally recognised by the Cabinet Legislation Committee on 8 December 2022. Te Aka Whai Ora expects to submit the second tranche of 4 iwi-Māori partnership boards for approval in June 2023, at which point the majority of the country will be covered by an iwi-Māori partnership board – a significant achievement.
- 43 There is sufficient time for iwi-Māori partnership boards to build capacity and understanding of their roles before their statutory functions related to localities and the Hauora Māori Advisory Committee come into effect starting from July 2024. However, in the first instance Te Aka Whai Ora will need to increase its investment in its own capacity to support their establishment and progression.
- 44 Additional responsibility for commissioning transferred from Te Whatu Ora has diverted the attention of Te Aka Whai Ora. This focus needs to be balanced with the focus required on establishing foundational functions in the short-term. This includes its statutory responsibility to monitor the performance of the sector in relation to hauora Māori in co-operation with Manatū Hauora and Te Puni Kōkiri. The expectation has been set that the entity will start delivering on this function, which is currently underdeveloped, before the end of 2022/23.

Entity governance and performance monitoring

- 45 I have recently sent updated expectations to the entities outlining immediate priorities for entity Boards. This includes ensuring organisational establishment is complete and improving communication with the workforce, communities, Ministers and monitoring agencies. This will lead to greater trust and confidence and support clear lines of accountability. I have established regular engagement sessions and performance meetings with Chairs, entity executives and monitoring agencies to ensure issues are quickly identified and addressed.
- 46 Members on the Boards of Te Whatu Ora and Te Aka Whai Ora have terms from 1-3 years with the first coming due in June 2023. I will be taking a decision to the Cabinet Honours and Appointments Committee on 21 June 2023 on the appointment of a new Chair for Te Whatu Ora, following the removal of Rob Campbell in February 2023. Te Aka Whai Ora has two Board vacancies that Minister Henare as responsible Minister will be looking to fill in the next six weeks.
- 47 The Boards have set up processes to support their duties including sub-committees. Te Whatu Ora has co-opted expertise from outside health and the public sector to support these. I have expressed to entity Boards my expectation that monitoring agencies have visibility of the information the

Boards receive and their areas of concern. This will help the monitoring agencies support Te Whatu Ora and Te Aka Whai Ora and inform my decisions on whether the composition and skills represented on the Boards needs to change over time to address the tasks at hand.

- 48 The Te Whatu Ora and Te Aka Whai Ora Statements of Intent for 2022/23, which incorporate their Statements of Performance Expectations, were presented in the House in late October 2022. However both entities have needed further time to complete necessary financial information. Te Aka Whai Ora has recently updated its document and Manatū Hauora is working with Te Whatu Ora to ensure this is updated. For the upcoming year, additional progress will need to be made towards improved accountability documents which meet legislative and Parliamentary requirements, though I anticipate that gaps will remain which will need to be addressed during the performance year.
- 49 Manatū Hauora has a key role as system steward in monitoring entity performance, service delivery and health outcomes to ensure the reforms are achieving the Government's intentions. In the first year of the reformed system, entity monitoring has focused on entity establishment and performance, aligned to Ministerial Letters of Expectation, the interim Government Policy Statement, and the entity planning documents. Manatū Hauora is iterating its monitoring approach to ensure that expectations are clearly articulated, aligned to my priorities, and that engagements are effective. I have reinforced to Manatū Hauora the importance of progressing this work with urgency.
- 50 To achieve the priorities for the reformed health system set out under the Act there needs to be an enduring framework for assessing system performance and acting on system issues. The approach to system-level monitoring is under development, building out of the current performance and accountability arrangements for the health entities. This work will include designing processes for capturing the expectations contained in the health strategies and the Government Policy Statement 2024 and implementing the framework by July 2024. This work will become a mechanism for giving Cabinet and the public assurance that system reform is having an impact on longer term health outcomes and goals.

Financial performance and service commissioning

- 51 The health system reforms included changes to the structuring of Vote Health to fewer appropriations. This was to protect funding for primary and preventative services, while allowing Te Whatu Ora to invest flexibly to reduce reliance on hospital and specialist services in the future. Significant investment was made in Budget 2022 to meet this Government's commitment to ensuring Te Whatu Ora began operations on a sound financial footing.
- 52 Vote Health represents approximately one fifth of total Government expenditure and with that comes clear expectations of transparency and accountability and reporting to tell the story of performance and risk. For both Te Aka Whai Ora and Te Whatu Ora, underlying financial processes and

performance reporting mechanisms are still iterating and improving to meet all stakeholder needs.

53 My recent expectations to Boards are clear that ongoing focus in the following areas is necessary to ensure confidence in financial management:

53.1 achieving financial balance

53.2 improving financial reporting

53.3 delivery of key products to enable a shift to multi-year funding in Budget 2024. Entities are working towards meeting a number of milestones in the lead-up to joint Ministers' final decision on funding due in November 2023.

54 Te Whatu Ora continues to target a financial breakeven position for 2022/23 as it progresses the amalgamation of 29 organisations in its first year of operation. There have been some efficiencies identified, as well as some delays in delivering initiatives and services.

55 Te Whatu Ora transferred responsibility for approximately \$320 million of service funding to Te Aka Whai Ora in 2022/23, increasing to \$370 million in 2023/24 for services that are primarily delivered through Māori providers. This arrangement is an acceleration of the original plan to phase a transfer of contracts to a co-commissioned basis over a number of years and shows the depth of partnership that has grown between the two entities. Te Whatu Ora will need to continue to support Te Aka Whai Ora in a co-commissioning relationship.

56 Overall, Te Aka Whai Ora is likely to report a surplus for 2022/23. This is principally driven through delays in commissioning and embarking on new initiatives as the organisation has been forming.

57 Progress in new service commissioning approaches by both entities is required and will need to be completed before the funded portion of the health sector (services delivered by private and third sector providers on contract) will experience the full impacts of reform. New commissioning approaches will progress our equity goals and focus the sector on innovating towards hauora Māori outcomes with whānau. I expect progress in this area to be explicit as both entities finalise their organisational and operational arrangements this coming year.

58 Te Whatu Ora now holds responsibility for a significant amount of government health sector assets. Te Whatu Ora has been improving the capital reporting with governance oversight of the Capital Subcommittee of the Board. Work is underway with the Treasury and Te Waihanga on the first infrastructure report back due to Cabinet 31 July 2023. This report will provide an update on Te Whatu Ora's infrastructure management including its structures to support asset and investment management and investment delivery, and roles and responsibilities at the local, regional and national level.

Data and digital

- 59 Data and digital-related initiatives across the reform programme include alignment of procurement, financial and information's systems, integrated IT services for staff, modernised and unified HR systems, data collection and management and the ongoing development of access to health services virtually. This is one of the most ambitious areas of the reform programme and reflects the largest IT system rationalisation and redevelopment attempted in New Zealand. This includes addressing the applications, operating systems, networks, and infrastructure components that have exceeded their recommended industry standards or lifetimes and become out-of-date and unsupported by vendors. Te Whatu Ora inherited over 1500 data and digital projects from the previous district health boards.
- 60 While this change is underway, it is essential that the systems previously run by district health boards continue to be maintained to provide services to staff and patients during the transition process as failures in security, privacy or loss of services would be unacceptable.
- 61 I have requested a Data and Digital Strategy and Roadmap, which will need to be clear about how current systems will be maintained through the reform period, a costed roadmap for the transition to data and digital systems that will meet reform intentions, and key risks and how they will be mitigated. This area is an enabler of many of the changes we want to see through the health system reforms and therefore a priority.
- 62 A number of data and digital improvements will change the customer experience of the health service. While some of these were underway before reform, they are easier to implement when taking a national perspective. These include digital referrals, booking and communications for areas such as immunisations, breast screening and pelvic mesh treatment. We are also seeing improvements in sharing of clinical information and access to health records. The campaign and cohort management tool developed for the COVID-19 response and vaccination programme is being extended across population health and planned care to support multi-channel campaigns. This is proving especially useful in engaging the population not enrolled with a GP.
- 63 Alongside this work, I am currently clarifying for Te Whatu Ora my expectations about measures that will best represent my priorities and performance reporting obligations which will need to be underpinned by a source of stable national data.

Manatū Hauora organisational development

- 64 From Day 1 Manatū Hauora adopted a new internal operating model and organised itself into an interim structure, awaiting the appointment of a new Director-General of Health. This provided for eight core functions that would be enhanced over time to enable Manatū Hauora to deliver on its future role.
- 65 As part of this structure the Public Health Agency was established and is now working to support the implementation of the public health operating model

with the National Public Health Service through the shared Public Health Leadership Group. Collaboration is underway on issues such as immunisation and screening services and working towards our goal of Smokefree 2025.

- 66 Like the new health entities, Manatū Hauora is now progressing an organisational development process to deliver on its intended role in the reformed system. This work will progress in phases, with the first stage being completed in July 2023 with full implementation completed in 2024.
- 67 I have asked Manatū Hauora to complete this work as soon as possible to ensure it delivers on its intended leadership role and fully supports me in these formative years of the reformed system.

Health system workforce

- 68 Cabinet acknowledged prior to the launch of the health reforms that the reforms take place during a period of significant pressure and challenge for the health workforce, with the risk that fatigue or other pressures detract from a shared focus on the opportunity and makes communication harder.
- 69 Key elements of the reform expected to be in place on Day 1 include a change management strategy to ensure a smooth transition of staff to new entities; recruitment of key leadership roles; and progress against the development of the NZ Health Charter.
- 70 While noting that the chief executives of Te Whatu Ora and Te Aka Whai Ora have made significant efforts to communicate regularly with frontline and non-clinical staff through a range of channels, it is fair to say that these efforts have not been sustained and forceful enough to have impact. Effort needs to be increased in this area with a structured change management approach that systematically cascades key messages about the next phases of change throughout the publicly funded health sector and wider health system, noting the importance of the system in enabling the changes anticipated. Stronger communications are required that are suitable for the complexities of this transformation programme.
- 71 Health agencies are working together to address immediate workforce pressures. Te Whatu Ora and Te Aka Whai Ora established a Workforce Taskforce as a short-term measure while permanent teams were being established, to work with professional groups to recommend immediate and medium-term actions to increase the supply of workforce. The Taskforce comprises key health and education sector stakeholders, to enable a cross-system approach to development and prioritisation of tactical workforce initiatives in the short to medium term.
- 72 In parallel, Manatū Hauora is leading on the development of a longer-term strategic approach to addressing workforce challenges, to ensure the necessary system settings are in place to enable the health workforce to effectively meet the needs of Māori and the wider population.

- 73 In addition to the ongoing recruitment actions, there is an opportunity to improve the development and communication of an inter-professional workforce where new models of care maximise the value and contribution that different professionals can bring, and provide for the best outcomes for consumers, patients and the workforce. Workforce pressures are an impetus for this type of innovation, and not a reason for why change cannot succeed.
- 74 The development of the New Zealand Health Charter – Te Mauri o Rongo will contribute to a one-system ethos across the workforce. Te Whatu Ora is developing behaviour statements with Te Aka Whai Ora to help support the four pou of Te Mauri o Rongo. This requires re-engagement with the sector to ensure the statements are well received. While this work has taken longer than expected, active discussions are ongoing. I plan to table the Charter in the House in July this year.
- 75 It should be noted that this last year has been busy with an ongoing schedule of industrial relations work. My approach has been to be mindful of addressing long-standing concerns about workforce sustainability. Wherever possible I have supported clinician-led engagement on issues using professional fora, encouraging our health workforce to be part of designing the future state.

Expectations for the second year of reform and beyond

- 76 The reformed health system has made significant progress, and there are tangible examples of where the reform has delivered some benefits including:
- 76.1 shifting of care and deployment of resources regionally to support equity of access in some specialist services, for example national cancer networks support of cancer care in Te Waipounamu region
 - 76.2 national decision making enabling more rapid deployment of investments to priority areas, for example early workforce actions from July 2022, winter measures, deployment of national resources to cyclone weather affected areas
 - 76.3 national teams accelerating implementation of programmes, for example completing the national implementation of Finance, Information and Procurement Management by December 2023, a year ahead of DHB timeframes
 - 76.4 the removal of inter-district funding flows, taking away the one of the barriers to collaboration across district boundaries on service delivery, receiving some good feedback from clinicians.
- 77 Ongoing momentum is required, and I have provided my expectations to the health entities for the second year of reform. I have also signalled my priority to see sustained and measurable improvements in the areas of waitlist, winter preparedness and workforce while the reform process is underway. I have asked for the development of improvement implementation plans to help me better understand the specific intentions of the Board and Te Whatu Ora in these areas and will be bringing these to Cabinet.

Achieving the fully reformed health system (2024 – 2027)

- 78 The second phase of the reform process from July 2024 to July 2027 will see the health system operating within the full reformed model. This period will build on the opportunities of new ways of working and deliver changes for people and whānau.
- 79 **Health strategies** set the 10-year direction for improving health outcomes for six specific population groups. There has been extensive engagement through early 2023 to inform development of the strategies which I expect to share with Cabinet in June 2023.
- 80 **The 2024 Government Policy Statement (GPS)** on Health will be the Government’s primary lever for specifying priorities for health to 2027, reflecting the investments that will be made in Budget 2024. An outline is due to me in June 2023.
- 81 **Budget 2024** is our first possible opportunity to establish the new multi-year funding track for health, one of the key levers of the reforms to promote sustainability of the health sector. I am working with the Minister of Finance on a series of checks to ensure the system is prepared for this transition.
- 82 The first full **New Zealand Health Plan, 2024** will provide a 3-year costed plan for the delivery of publicly funded services to achieve objectives in the GPS 2024, within the funding provided in Budget 2024.

Managing reform risks

- 83 While operating models are being established within and between health entities, it has become apparent that some aspects of performance and productivity have slowed. The operating environment continues to be demanding for Te Whatu Ora in particular with ongoing workforce constraints and service pressures.
- 84 For example, the number of people waiting over 4 months for a first specialist assessment increased between July 2022 and March 2023 from 37,239 to 54,760. For elective treatment, the number of people waiting over 4 months increased from 27,821 in July 2022 to 34,557 in March 2023. The total number of discharges YTD March 2023 is higher in general than levels prior to and during the COVID-19 pandemic, driven largely by an increase in acute discharges. Inpatient surgical discharge delivery levels remain below those prior to COVID-19. This performance does not meet my expectations as Minister. I will speak more to these issues and the approaches to address them with a report to Cabinet in the near future.
- 85 The collective experience of entities to date highlights the following areas need shared and ongoing attention to successfully deliver the aspirations of the next stage of reform and manage risk to services:

- 85.1 a shared understanding of what success will look like in June 2024, and the entity-specific and collective action needed to achieve it, against which reform implementation progress can be tracked
 - 85.2 clear communications and change management approaches to ensure the health system collectively embraces and delivers on the vision of reform
 - 85.3 further work to ensure roles and responsibilities into the next phase are clear
 - 85.4 improved sharing of information between entities to support respective accountability roles
 - 85.5 greater visibility of implementation plans in key aspects of reform, such as data and digital, and localities
 - 85.6 effective communications with the public to manage expectations on reform progress and pace of change and ensure trust and confidence of the public is maintained.
- 86 To progress clarity in these areas, Manatū Hauora, through the System Reform Integration Office, is working with entities to create a detailed reform implementation roadmap. This roadmap will incorporate the actions both underway and required to address the focus areas highlighted in paragraph 85. This work will build on the initial high-level roadmap agreed by Cabinet, bringing together implementation plans health entities have now developed. The roadmap will be developed in the upcoming months to inform further updates on reform progress to Cabinet later in 2023.

Financial Implications

- 87 This paper has no financial implications.

Legislative Implications

- 88 This paper does not have legislative implications.

Impact Analysis

- 89 This paper does not require a Regulatory Impact Statement or Climate Implications of Policy Assessment (CIPA).

Population Implications

- 90 One of the core objectives of the health system reforms is to tackle persistent inequities in health outcomes and access to services for many of New Zealand's communities. Through the production of health strategies required under the Act 2022, priorities for the health sector are being identified to address health needs and outcomes for women, rural communities, disabled people, Māori and Pacific. Other communities of interest have been consulted

during the development of the health strategies including ethnic communities, rainbow communities and youth.

- 91 The new health entity Te Aka Whai Ora has been established to ensure that planning and service delivery respond to the aspirations and needs of whānau, hapū, iwi, and Māori in general. It has a core function under the Act to monitor the overall performance of the health system to reduce health inequities for Māori. The framework built by the Act and the establishment of iwi-Māori partnership boards strengthens the voice of Māori and commitment to Te Tiriti o Waitangi.

Human Rights

- 92 This paper does not have human rights implications.

Consultation

- 93 The following agencies were consulted on this paper and their feedback incorporated: Te Puni Kōkiri, the Ministry for Pacific Peoples, Whaikaha, the Ministry for Ethnic Communities, the Department of the Prime Minister and Cabinet, the Treasury and the Public Service Commission
- 94 Input was sought from Te Aka Whai Ora and Te Whatu Ora for the drafting of this paper. I have also sought the views of my Ministerial advisory committees and included them in the paper as appropriate.
- 95 Central agencies have signalled their concern that progress in system reform across Te Aka Whai Ora, Te Whatu Ora and Manatū Hauora is not progressing with the pace intended and this will delay the realisation of reform benefits. They have indicated that they would like to see emphasis placed on creating a clear, prioritised, sequenced system-level roadmap; a view of the key implementation risks and how to manage them; and a system-level change management strategy (fit for purpose for change of this scale) to be shared across all health and central agencies, supported by good strategic communications. They believe that such outputs would help in communicating to staff and to the general public the journey of the system from its past to its future state. The outputs would also help in assessing where to focus monitoring attention and (where applicable) trouble-shooting efforts.
- 96 I am confident that the actions noted in paragraphs 85 and 86: including the reform implementation roadmap incorporating clarity on what success looks like by 2024 and beyond and a system-level communications and engagement strategy to support delivery of the reforms, will achieve the required clarity and direction. I have asked officials to prioritise this work and to keep my office, and central agency partners, informed of expected delivery dates and progress.

Communications

- 97 There is no communications plan associated with this paper.

Proactive Release

- 98 This paper and its associated minutes will be proactively released within 30 days in line with standard practice, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Health recommends that the Committee:

- 1 note that the New Zealand health system has been implementing the Government's health system reforms since 1 July 2022;
- 2 note that Cabinet invited the Minister of Health to report quarterly to the Cabinet Government Administration and Expenditure Review Committee on progress with implementation [SWC-22-MIN-0089];
- 3 note the health system reform is an ambitious and complex large-scale change programme being completed in an environment of system and workforce pressure and this presents some risk to service access and performance, reflected at the moment in under-delivery of planned care, delays in implementing Budget 2022 initiatives, and challenges communicating effectively with the health sector workforce;
- 4 note the transition to the system of three health entities: Te Whatu Ora, Te Aka Whai Ora and Manatū Hauora came into effect successfully on 1 July 2022 with no reported disruption to health service delivery which is a significant achievement;
- 5 note that the Pae Ora legislation, interim Government Policy Statement on Health and the interim New Zealand Health Plan (Te Pae Tata) are in place as intended;
- 6 note organisational change and reforming is still underway for each of the three entities and achieving an understanding of respective roles and responsibilities;
- 7 note the regional arrangement proposed by Te Whatu Ora is by function and not by regional division as Cabinet originally envisaged and further information has been requested on how this will work in practice;
- 8 note 12 locality areas have been established and 11 iwi-Māori partnership boards have been formally recognised with more work required on how localities will function;
- 9 note work is ongoing with entities to ensure:
 - 9.1 development of a detailed reform implementation roadmap;
 - 9.2 monitoring and reporting mechanisms are in place for financial performance, system performance and outcomes for Māori in particular;

- 9.3 roles and responsibilities are clear including ensuring accountability documents meet legislative and Parliamentary requirements;
- 10 note the reformed health system has made significant progress to date given its challenging operating environment but some progress has been slower than anticipated and some performance issues are apparent, so continued momentum is required including more detailed planning and improved communication with the health workforce and between entities and monitors;
- 11 invite the Minister of Health to next report to Cabinet Government Administration and Expenditure Review Committee on system reform progress in November 2023 to inform the decision to move to three-year health system funding.

Authorised for lodgement

Hon Dr Ayesha Verrall

Minister of Health

PROACTIVELY RELEASED

Appendix 1: Summary of progress with health system reforms as of May 2023

Change expectations by domain	Delivered to date	Next phase
<p>Direction-setting and Funding</p> <ul style="list-style-type: none"> Government Policy and Legislation 	<ul style="list-style-type: none"> Pae Ora Act 2022 Interim Government Policy Statement Interim New Zealand Health Plan-Te Pae Tata Budget 2022 funding HQSC Code of Expectations 	<ul style="list-style-type: none"> Health Strategies GPS 2024 Health Plan 2024 (Te Pae Tata) Budget 2024 System Reform Roadmap for next 4 years Clarity on what success looks like for 2024 and beyond Improvement of performance and financial reporting Infrastructure strategies and plans Data and digital strategy and roadmap All locality plans in place
<p>Structure and Functions</p> <ul style="list-style-type: none"> Establishment of new health entities Refocussed Manatū Hauora Establishment of iwi-Māori partnership boards Establishment of localities across the country Function, staff and asset transfer to new health entities Disestablishment of DHBs 	<ul style="list-style-type: none"> Formal establishment of new health entities and Boards and key leadership roles appointed Function transfer to new entities with transfer of assets, contracts Transfer of responsibility for commissioning services from Māori providers to Te Aka Whai Ora Formal recognition of 11 Iwi-Māori partnership boards (IMPBs) Establishment of localities in 12 areas across the country Regional Integration teams established Establishment of Public Health Agency 	<ul style="list-style-type: none"> Completion of organisation change programmes across entities Clarity on how the new functions will work in practice Improvement in communications across entities and with monitoring entities System and entity monitoring in place Roll out the locality approach to all areas Finalise remaining four IMPBs and build of capability Implementation of co-commissioning approaches
<p>Health Service Delivery</p> <ul style="list-style-type: none"> Continuation of health service delivery 	<ul style="list-style-type: none"> While DHBs being disestablished, interim arrangements continue to provide continuity of service to staff, patients and community during transition 	<ul style="list-style-type: none"> Ongoing improvements in key areas of performance, including planned care and winter preparedness
<p>Health Workforce</p> <ul style="list-style-type: none"> Change management strategy to ensure smooth transition of staff to new entities Develop of NZ Health Charter 	<ul style="list-style-type: none"> Ongoing communications with all staff through range of channels Workforce Taskforce established for new entities to work together to address immediate workforce pressures 	<ul style="list-style-type: none"> Long-term strategic approach to addressing workforce challenges Reform level communications and engagement strategy and rollout Completion of NZ Health Charter to contribute to the 'one-system' ethos.