

## Minister of Health

### Increasing Medical School Enrolments for the 2024 Intake

10 August 2023

The documents below have been proactively released by the Ministry of Health on behalf of the Minister of Health, Hon Dr Ayesha Verrall.

**Title of paper:** Increasing medical school enrolments for the 2024 intake

**Title of minutes:** Increasing Medical School Enrolments for the 2024 Intake (CAB-23-SUB-0059 and CAB-23-MIN-0207.01)



# Cabinet

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Increasing Medical School Enrolments for the 2024 Intake

Portfolios                      Education / Health

On 6 June 2023, following reference from the Cabinet Social Wellbeing Committee, Cabinet:

- 1        **noted** that New Zealand needs more medical practitioners to meet the needs of our growing and ageing population, and to achieve health equity and pae ora;
- 2        **noted** that government funding of medical school enrolments is limited by a funding cap (the funding cap), and that past increases to the funding cap have been Cabinet decisions due to the fiscal implications;
- 3        **agreed** to increase the funding cap to support an additional 50 students, beginning in 2024, at an estimated operating cost of \$1.166 million and capital cost of \$0.587 million in 2023/24, and a total operating cost of \$201.805 million and \$32.866 million in capital funding over ten years;
- 4        **noted** that Budget 2022 established the Health Workforce Development tagged operating contingency of \$31 million over four years to 2025/26 [CAB-22-MIN-0129, initiative 14533] as follows:

	\$m – increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
Health Workforce Development – tagged operating contingency	7.000	8.000	8.000	8.000	8.000	39.000
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	8.000	8.000	8.000	8.000	8.000	79.000

5 **agreed** to rephrase the Health Workforce Development tagged operating contingency, to contribute to the costs of the decision in paragraph 3 in outyears as follows:

	<b>\$m – increase/(decrease)</b>					
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Forecast period total</b>
Health Workforce Development – tagged operating contingency	-	0.293	0.776	1.280	2.069	4.418
	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>	<b>10-year total</b>
Health Workforce Development – tagged operating contingency	7.883	13.201	13.274	13.347	13.421	65.544

6 **agreed** that the operating costs of the decision in paragraph 3 be met from the following sources:

	<b>\$m increase/(decrease)</b>					
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Forecast period total</b>
<b>Total operating costs for 50 additional medical places</b>	-	<b>1.166</b>	<b>3.253</b>	<b>5.428</b>	<b>8.556</b>	<b>18.402</b>
Funded from:						
Reprioritisation with Vote Tertiary Education	-	0.169	.517	0.879	1.334	<b>2.898</b>
Health Workforce Development tagged contingency	-	0.293	0.776	1.280	2.069	<b>4.418</b>
DHB Sustainability Fund	-	0.704	1.960	3.269	5.153	<b>11.086</b>
Te Whatu Ora baselines	-	-	-	-	-	-
	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32 &amp; outyears</b>	<b>10-year total</b>
<b>Total operating costs for 50 additional medical places</b>	<b>24.794</b>	<b>39.210</b>	<b>39.502</b>	<b>39.799</b>	<b>40.098</b>	<b>201.805</b>
Funded from:						
Reprioritisation with Vote Tertiary Education	2.006	2.451	2.495	2.540	2.585	<b>14.975</b>
Health Workforce Development tagged contingency	7.883	13.201	13.274	13.347	13.421	<b>65.544</b>
DHB Sustainability Fund	14.905	21.181	21.181	21.181	21.181	<b>110.715</b>
Te Whatu Ora baselines	-	2.377	2.552	2.731	2.911	<b>10.571</b>

7 **approved** the following changes to appropriations to provide for the decision in paragraph 3 above, with a corresponding impact on the operating balance and net debt:

	\$m increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
<b>Vote Health</b> <b>Minister of Health</b> <b>Multi-Category Expenses and Capital Expenditure</b> Stewardship of the New Zealand health system MCA  Departmental Output Expenses: Sector Performance and Monitoring (funded by revenue Crown)	-	(0.704)	(1.960)	(3.269)	(5.153)	(11.086)
<b>Vote Tertiary Education</b> <b>Minister of Education</b> <b>Multi-Category Expenses and Capital Expenditure</b> Tertiary Tuition and Training (MCA)  Non-Departmental Output Expense: Qualification Delivery	-	0.677	2.067	3.515	5.336	11.595
<b>Vote Social Development</b> <b>Minister for Social Development and Employment</b> Benefits or Related Expenses: Student Allowances  Non-Departmental Capital Expenditure: Student Loans	-	-	-	-	0.160	0.160
<b>Vote Revenue</b> <b>Minister of Revenue</b> Non-Departmental Other Expenses: Initial Fair-Value Write-Down Relating to Student Loans	-	0.320	0.669	1.034	1.726	3.749
<b>Total Operating</b>	-	<b>0.293</b>	<b>0.776</b>	<b>1.280</b>	<b>2.069</b>	<b>4.418</b>
<b>Total Capital</b>	-	<b>0.587</b>	<b>1.229</b>	<b>1.892</b>	<b>3.142</b>	<b>6.850</b>

	2027/28	2028/29	2029/30	2030/31	2031/32 & outyears	10-year total
<b>Vote Health Minister of Health</b>						
Non-Departmental Output Expense Delivering Hospital and Specialist Services	11.819	21.264	21.088	20.910	20.728	95.809
<b>Multi-Category Expenses and Capital Expenditure</b> Stewardship of the New Zealand health system MCA Departmental Output Expenses: Sector Performance and Monitoring (funded by revenue Crown)	(14.905)	(21.181)	(21.181)	(21.181)	(21.181)	(110.715)
<b>Vote Tertiary Education Minister of Education</b> <b>Benefits or Related Expenses</b> Tertiary Scholarships and Awards	0.477	1.049	1.049	1.049	1.049	4.673
<b>Multi-Category Expenses and Capital Expenditure</b> Tertiary Tuition and Training (MCA) Non-Departmental Output Expense: Qualification Delivery	7.547	8.755	8.931	9.109	9.291	55.228
<b>Vote Social Development Minister for Social Development and Employment</b> Benefits or Related Expenses: Student Allowances	0.361	0.443	0.449	0.455	0.461	2.329
Non-Departmental Capital Expenditure: Student Loans	4.687	5.178	5.280	5.383	5.488	32.866
<b>Vote Revenue Minister of Revenue</b> Non-Departmental Output Expense: Initial Fair-Value Write- Down Relating to Student Loans	2.584	2.871	2.938	3.005	3.073	18.220
<b>Total Operating</b>	<b>7.883</b>	<b>13.201</b>	<b>13.274</b>	<b>13.347</b>	<b>13.421</b>	<b>65.544</b>
<b>Total Capital</b>	<b>4.687</b>	<b>5.178</b>	<b>5.280</b>	<b>5.383</b>	<b>5.488</b>	<b>32.866</b>

- 8 **agreed** 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;
- 9 **noted** that the reprioritised funding from the multi-category appropriation ‘Stewardship of the New Zealand health system’ is sourced from the DHB Sustainability Fund;
- 10 **noted** that the funding appropriated to the non-departmental output expense appropriation ‘Delivering Hospital and Specialist Services’ from 2028/29 is net of the following reprioritised funding:

2028/29	2029/30	2030/31	2031/32 & outyears	Forecast period total
(2.377)	(2.552)	(2.731)	(2.911)	(10.571)

- 11 **agreed** that the rephased Health Workforce Development tagged operating contingency in paragraph 5 above is fully utilised to contribute towards the operating expenses incurred under paragraph 7 above;
- 12 **noted** that following the adjustments detailed in paragraphs 5 and 7 above, the Health Workforce Development tagged operating contingency will be exhausted and therefore closed;
- 13 **noted** that the capital expenditure incurred under paragraph 7 above is largely expected to be repaid in the future, and is therefore managed outside of Budget allowances;
- 14 **noted** that Te Whatu Ora and Te Aka Whai Ora will work with the University of Auckland and the University of Otago to identify how the additional places can help grow a medical workforce to ensure growing representation of Māori and Pacific peoples and help grow a medical workforce which aspires to work in rural settings.

Rachel Hayward  
Secretary of the Cabinet

*Secretary’s Note: This minute replaces SWC-23-MIN-0059. Cabinet agreed to amend paragraphs 3,6,7 and 9 to 11.*



# Cabinet Social Wellbeing Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Increasing Medical School Enrolments for the 2024 Intake

**Portfolio** Education / Health

On 31 May 2023, the Cabinet Social Wellbeing Committee:

- 1 **noted** that New Zealand needs more medical practitioners to meet the needs of our growing and ageing population, and to achieve health equity and pae ora;
- 2 **noted** that government funding of medical school enrolments is limited by a funding cap (the funding cap), and that past increases to the funding cap have been Cabinet decisions due to the fiscal implications;
- 3 **agreed** to increase the funding cap to support a minimum of 20 additional students commencing in 2024, at an estimated cost of \$0.293 million in operating funding and \$0.235 million in capital funding in 2023/24, and a total of total of \$65.544 million in operating funding and \$13.148 million in capital funding over ten years, subject to any further decisions from paragraph 13;
- 4 **noted** that the Health Workforce Development tagged operating contingency of \$31 million over four years to 2025/26 was established as a part of Budget 2022 [CAB-22- MIN-0129, initiative 14533] as follows:

	\$m – increase/(decrease)					Forecast period total
	2022/23	2023/24	2024/25	2025/26	2026/27	
Health Workforce Development – tagged operating contingency	7.000	8.000	8.000	8.000	8.000	39.000
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	8.000	8.000	8.000	8.000	8.000	79.000

- 5 **agreed** to rephrase the Health Workforce Development tagged operating contingency to meet the costs of the decision in paragraph 3 above, as follows:

	\$m – increase/(decrease)					Forecast period total
	2022/23	2023/24	2024/25	2025/26	2026/27	
Health Workforce Development – tagged operating contingency	-	0.293	0.776	1.280	2.069	4.418
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	7.883	13.201	13.274	13.347	13.421	65.544

- 6 **agreed** that tuition subsidies and internship costs for 10 student places for 2024 and beyond be met from Vote Tertiary Education baselines, at a cost of \$14.975 million over 10 years, and that other operating costs be met from the Health Workforce Development tagged operating contingency;

- 7 **approved** the following changes to appropriations to provide for the decision in paragraph 3 above, with a corresponding impact on the operating balance and net debt:

	\$m increase/(decrease)					Forecast period total
	2022/23	2023/24	2024/25	2025/26	2026/27	
<b>Vote Health Minister of Health</b> Non-Departmental	-	-	-	-	-	-
<b>Vote Tertiary Education Minister of Education</b> <b>Multi-Category Expenses and Capital Expenditure</b> Tertiary Education and Training (MCA) Non-Departmental Output Expense: Qualification Delivery Qualifications at Level 7 (degree)	-	0.169	0.517	0.879	1.334	2.899



and Above						
-----------	--	--	--	--	--	--

PROACTIVELY RELEASED

<b>Vote Social Development Minister for Social Development and Employment</b> Benefits or Related Expenses: Student Allowances	-	-	-	-	0.064	0.064
<b>Minister of Revenue</b> Non-Departmental Capital Expenditure: Student Loans	-	0.235	0.492	0.757	1.257	2.740
<b>Vote Revenue Minister of Revenue</b> Non-Departmental Other Expenses: Initial Fair-Value Write-Down Relating to Student Loans	-	0.124	0.259	0.401	0.671	1.455
<b>Total Operating</b>	-	<b>0.293</b>	<b>0.776</b>	<b>1.280</b>	<b>2.069</b>	<b>4.418</b>
<b>Total Capital</b>	-	<b>0.235</b>	<b>0.492</b>	<b>0.757</b>	<b>1.257</b>	<b>2.741</b>
	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32 &amp; outyears</b>	<b>10-year total</b>
<b>Vote Health Minister of Health</b> Non-Departmental Output Expense Delivering Hospital and Specialist Services	4.728	9.456	9.456	9.456	9.456	42.552
<b>Vote Tertiary Education Minister of Education</b>						
<b>Benefits or Related Expenses</b> Tertiary Scholarships and Awards	0.238	0.524	0.524	0.524	0.524	2.336

<b>Multi-Category Expenses and Capital Expenditure</b> Tertiary Education and Training (MCA)						
Non-Departmental Output Expense:						
Qualification Delivery	1.648	1.664	1.708	1.753	1.798	11.471
Qualifications at Level 7 (degree) and Above						
<b>Vote Social Development</b> <b>Minister for Social Development and Employment</b> Benefits or Related Expenses:						
Student Allowances	0.144	0.177	0.180	0.182	0.184	0.931
Non-Departmental Capital Expenditure:						
Student Loans	1.875	2.071	2.112	2.153	2.195	13.146
<b>Vote Revenue</b> <b>Minister of Revenue</b> Non-Departmental Output Expense:						
Initial Fair-Value Write-Down Relating to Student Loans	1.005	1.117	1.143	1.169	1.196	7.085
<b>Total Operating</b>	<b>7.883</b>	<b>13.201</b>	<b>13.274</b>	<b>13.347</b>	<b>13.421</b>	<b>65.544</b>
<b>Total Capital</b>	<b>1.875</b>	<b>2.071</b>	<b>2.112</b>	<b>2.153</b>	<b>2.196</b>	<b>13.148</b>

- 8 **agreed** 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;
- 9 **agreed** that the operating expenses incurred under paragraph 7 above be charged against the Health Workforce Development tagged operating contingency described in paragraphs 4 and 5 above;
- 10 **noted** that following the adjustments detailed in paragraphs 5 and 7 above, the Health Workforce Development tagged operating contingency will be exhausted and therefore closed;
- 11 **noted** that the capital expenditure incurred under paragraph 7 above is largely expected to be repaid in the future, therefore is managed outside of Budget allowances;

- 12 **noted** that Te Whatu Ora and Te Aka Whai Ora will work with the University of Auckland and the University of Otago to identify how the additional places can help grow a medical workforce to ensure growing representation of Māori and Pacific peoples and help grow a medical workforce which aspires to work in rural settings;
- 13 **authorised** the Minister of Finance and Minister of Health to jointly agree a further increase to the funding cap and approve changes to appropriations, including drawing down funding from existing contingencies or reprioritising existing Health funding and/or capital injections, with final decisions to be reported back to Cabinet on 6 June 2023.

Rachel Clarke  
Committee Secretary

---

**Present:**

Hon Kelvin Davis (Chair)  
Hon Grant Robertson  
Hon Dr Megan Woods  
Hon Dr Ayesha Verrall  
Hon Kiri Allan  
Hon Priyanca Radhakrishnan  
Hon Barbara Edmonds  
Hon Willow-Jean Prime  
Hon Rino Tirikatene  
Hon Jo Luxton

**Officials present from:**

Office of the Prime Minister  
Officials Committee for SWC

**[Sensitive - Budget]**

Office of the Minister of Health

Office of the Minister of Education

Cabinet Social Wellbeing Committee

**Increasing medical school enrolments for the 2024 intake**

**Proposal**

- 1 This paper seeks agreement to increase the medical school enrolment funding cap to support 20 additional places, starting from 2024. This would be funded from the reprioritisation of baselines in Vote Tertiary Education and from the Health Workforce Development contingency established in Budget 2022.

**Relation to government priorities**

- 2 This proposal is a part of the government’s focus on the issues that matter most to New Zealanders. This includes addressing severe health workforce pressures which are contributing to delayed access to health care.

**Background**

- 3 New Zealand’s health workforce is under pressure, which has been building for some years and is further exacerbated by high-pressure winter seasons and the COVID-19 response. These challenges are not unique to New Zealand and reflect workforce pressures experienced globally.
- 4 New Zealand trains only around half of the medical workforce it needs, leaving us highly reliant on overseas-trained medical practitioners. In a global context of growing competition for the health workforce, we will need to change the extent of this reliance. The Minister of Health has directed Te Whatu Ora to consider the settings and locations in which training occurs (particularly in trainee exposure to and opportunities in primary and community providers and rural settings), as well as the accessibility of medical pathways, and how we moderate the number of medical trainees funded each year.
- 5 The Minister of Health has signalled to Manatū Hauora (Ministry of Health), Te Whatu Ora, and Te Aka Whai Ora to work closely with the Ministry of Education, Tertiary Education Commission (TEC), and other key stakeholders to ensure we have the right skills and capabilities for our health system in the future. Health and education agencies agree that there is a need now, to grow the domestically trained medical workforce which will help address medical workforce shortages.
- 6 Government funding of medical school enrolments is limited by a funding cap. This is due in part to the high costs associated with training medical students, both at an undergraduate level and within clinical placements. It is also in place to:
  - 6.1 ensure availability of clinical attachments as a part of undergraduate training
  - 6.2 manage postgraduate years 1 and 2 placements and associated salaries.

- 7 Additionally, the funding cap helps manage student support costs across Vote Social Development and Vote Revenue, which are significantly higher than for other programmes of study. Accordingly, the process to secure funding to increase the funding cap is led by the Ministers of Health and Education in consultation with the Ministers of, Social Development and Revenue, with final decisions made by Cabinet.
- 8 The current funding cap on the number of first-year medical school enrolments is set at 539 full-time equivalent student places. The funding cap was last increased in 2015, by 34 places.

## Analysis

- 9 The workforce is the backbone of our health system. To support our health workforce to achieve pae ora (healthy futures) for all New Zealanders, we need to address workforce challenges. The Ministry of Health is developing a strategic framework to ensure we approach workforce challenges in a systematic way. 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.
- 10 To meet the needs of our growing and ageing population, and to achieve health equity and pae ora, New Zealand needs more medical practitioners. For many years we have been addressing shortages partly through recruitment of overseas-trained medical practitioners. However, there is strong international competition for all health workers, and overseas-trained doctors cannot meet our need for more Māori and Pacific doctors.
- 11 The Ministers of Health and Education propose to increase the funding cap of 539 full-time equivalent student places for the first-year medical school intake for the first time since 2015, to support 20 additional places. The first expanded cohort will start in 2024, and graduate at the end of 2029. This will help to grow New Zealand's domestic medical workforce and better enable New Zealanders to access the medical care they need. An increase of 20 places can be managed and funded at this time. Any further increase would require additional funding.
- 12 We anticipate that this investment will accompany investments in our wider health workforce out of baselines and other Budget 2022 investments through Te Whatu Ora and Te Aka Whai Ora. 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.
- 13 There is also a risk that this proposal may exacerbate the impacts of workforce pressures on Senior Medical Officers. Graduate doctors require two years of supervision, and increasing their number will place some additional strain on the senior doctors who supervise them, including during clinical placements. It will also mean that fewer supervised places will be available for overseas-trained doctors, who also require supervision when they begin work in New Zealand. However, we have been advised that these pressures are operationally manageable, and a necessary implication of growing our domestic medical workforce.
- 14 On balance, we consider that this proposal will have a significantly better longer-term impact relative to other policies which can be implemented in the short term. New

Zealand-trained doctors are essential to a sustainable and culturally safe public health system. There are positive impacts of the previous funding cap increase in 2015, which resulted in the highest ever number of medical school graduates.

- 15 We propose this initiative be funded through a combination of baseline tertiary education funding and rephasing of the Health Workforce Development contingency of \$31 million over 4 years, which was established in the Budget 2022 package [CAB-22-MIN-0129, initiative 14533].

### **Implementation**

- 16 The medical school funding cap is specified in a funding mechanism issued annually by the Minister of Education to the Tertiary Education Commission (TEC) (in accordance with section 419 of the Education and Training Act 2020), for its funding of degree-level and above delivery.
- 17 Changes to the funding mechanism are subject to consultation with the tertiary sector. Subject to Cabinet’s agreement, an increase to the cap will be drafted into the proposed funding mechanism for 2024, which will be put to the Minister of Education for approval in mid-2023, consulted on in July, and then finalised in August 2023. The TEC will then determine the allocation of funding for the additional places across the University of Auckland and University of Otago medical schools as a part of business-as-usual funding processes for 2024.
- 18 This proposal is a part of the wider work to increase workforce capacity, and forms one of my key priorities. The Minister of Health expects other initiatives to come from Te Whatu Ora baselines.

### **Financial implications**

- 19 Officials estimate that this proposal will cost a total of \$0.293 million in operating funding and \$0.235 million in capital funding in 2023/24, and a total of \$65.544 million in operating funding and \$13.148 million in capital funding over ten years. This takes into account the increasing costs as additional cohorts enter training and subsequently require internship places. The Treasury has advised that the capital expenses of \$13.148 million are fiscally neutral as student loans will be repaid; however, the expenditure will still have an impact on net debt.
- 20 Education officials have advised that tuition subsidies and internship costs for 10 additional students can be funded through Vote Tertiary Education’s baseline on an ongoing basis if the TEC reprioritises funding from other programmes of study. We propose the tuition subsidies for the other 10 students will initially come from rephasing of the Health Workforce Development contingency established in Budget 2022.
- 21 Increasing the funding cap will also require increased funding for student loan and allowance expenses across Vote Social Development and Vote Revenue. The Treasury has advised that Vote Social Development and Vote Revenue cannot fund increased costs for 2024 through their baselines. We propose that these costs also come from rephasing of the Budget 2022 Health Workforce Development contingency and appropriating it across the Votes referred to above as required.

**SENSITIVE – BUDGET**

22 The Health Workforce Development contingency will be rephased to support the funding cap increase. The table below shows funding sources and estimates of costs:

\$m		2022/23	2023/24	2024/25	2025/26	2026/27	Forecast total	
<i>Vote Tertiary Education tuition and intern grant costs for 10 places funded from baselines (opex)</i>	Vote Tertiary Education Tuition and intern grant costs	-	0.169	0.517	0.879	1.334	2.899	
<i>Proposed funding from Health Workforce contingency</i>	Opex	Vote Health for placement costs	-	-	-	-	-	
		Vote Tertiary Education for tuition and intern grant costs	-	0.169	0.517	0.879	1.334	2.899
		Vote Social Development for student allowance costs	-	-	-	-	0.064	0.064
		Vote Revenue for student loan write-down costs	-	0.124	0.259	0.401	0.671	1.455
	Capex	Vote Social Development for student loan costs	-	0.235	0.492	0.757	1.257	2.740
Total Opex funded from workforce contingency		-	0.293	0.776	1.280	2.069	4.418	
<b>Total Capex managed outside budget allowances</b>		-	0.235	0.492	0.757	1.257	2.741	
\$m		2027/28	2028/29	2029/30	2030/31	2031/32 & outyears	10-year total	
<i>Vote Tertiary Education tuition and intern grant costs for 10 places funded from baselines (opex)</i>	Vote Tertiary Education tuition and intern grant costs	2.006	2.451	2.495	2.540	2.585	14.975	
<i>Vote Health funding</i>	Opex	Vote Health internship costs	4.728	9.456	9.456	9.456	9.456	42.552
		Transfer to Vote Tertiary Education for tuition and intern grant costs	2.006	2.451	2.495	2.540	2.585	14.975
		Transfer to Vote Social Development for student allowance costs	0.144	0.177	0.180	0.182	0.184	0.932
		Transfer to Vote Revenue for student loan write-down costs	1.005	1.117	1.143	1.169	1.196	7.085
	Capex	Vote Social Development for student loan costs	1.875	2.071	2.112	2.153	2.195	13.146
Total Vote Health Opex		7.883	13.201	13.274	13.347	13.421	65.544	
<b>Total Capex managed outside budget allowances</b>		1.875	2.071	2.112	2.153	2.195	13.146	

23 There are some longer-term funding implications of this proposal. Once medical students finish their undergraduate programme, they are usually employed for two years by Te Whatu Ora as a Resident Medical Officer in a hospital. This cost will be



managed as a part of usual cost pressure adjustments for staffing and vacancies applied to Vote Health from 2027/28 onwards.

### **Legislative implications**

24 No legislative change is required to implement these proposals.

### **Impact analysis**

#### **Regulatory impact statement**

25 This proposal does not have regulatory implications.

#### **Climate implications of policy assessment**

26 This proposal does not have climate implications.

#### **Population implications**

27 We would like to ensure that the expansion of medical school enrolments target areas of greatest need, particularly the shortages faced by rural hospitals, and primary and community providers.

28 Rural people across New Zealand experience health inequities, caused in part by inequitable access to health services. There is work to be done to ensure that rural medicine is an appealing and supported career path. This could include improving recruitment of medical students from rural backgrounds, and increasing rural placement opportunities.

29 In relation to Māori, the Crown has a duty under Te Tiriti o Waitangi to take action to remedy health inequities. Under-representation of Māori and Pacific people in healthcare, particularly in the health professions, contributes to these health inequities. The increased funding cap provides an opportunity to increase the number and percentage of Māori and Pacific medical students and medical practitioners over time. However, there are complex socio-economic factors contributing to under-representation of Māori and Pacific people in medicine, which will take time to address.

30 Subject to Cabinet's approval, the Minister of Health will ask Te Whatu Ora and Te Aka Whai Ora to work with our two providers of medical education – the University of Auckland and the University of Otago – to identify how these additional places can help grow a medical workforce to ensure growing representation for Māori, as well as others under-represented in the health sector, such as Pacific peoples. The Minister of Health will also be seeking assurance that these places will help grow a medical workforce which aspires to work in rural settings.

### **Human rights**

31 This proposal is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Consultation

- 32 The Ministry of Health consulted on this paper with Te Aka Whai Ora, Te Whatu Ora, the Treasury, the Ministry of Education, and the Tertiary Education Commission.

## Communications

- 33 The Minister of Health intends to announce this proposal once final decisions have been made by Cabinet.

## Proactive Release

- 34 This Cabinet paper will be released within 30 business days of decisions being confirmed by Cabinet, with redactions as appropriate under the Official Information Act 1982.

## Recommendations

The Ministers of Health and Education jointly recommend the Committee:

- 1 **note** that New Zealand needs more medical practitioners to meet the needs of our growing and ageing population, and to achieve health equity and pae ora;
- 2 **note** that government funding of medical school enrolments is limited by a funding cap, and that past increases to the cap have been Cabinet decisions due to the fiscal implications;
- 3 **agree** to increase the funding cap to support additional 20 students, beginning in 2024, at an estimated cost of \$0.293 million in operating funding and \$0.235 million in capital funding in 2023/24, and a total of total of \$65.544 million in operating funding and \$13.148 million in capital funding over ten years;
- 4 **note** that the Health Workforce Development tagged operating contingency of \$31 million over four years to 2025/26 was established as a part of Budget 2022 [CAB-22-MIN-0129, initiative 14533]:

	\$m – increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
Health Workforce Development – tagged operating contingency	7.000	8.000	8.000	8.000	8.000	39.000
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	8.000	8.000	8.000	8.000	8.000	79.000

**SENSITIVE – BUDGET**

5 **agree** to rephase the Health Workforce Development tagged operating contingency, to meet the costs of this initiative in outyears as follows:

	\$m – increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
Health Workforce Development – tagged operating contingency	-	0.293	0.776	1.280	2.069	4.418
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	7.883	13.201	13.274	13.347	13.421	65.544

6 **agree** that tuition subsidies and internship costs for 10 student places for 2024 and beyond will be met from Vote Tertiary Education baselines, at a cost of \$14.975 million over 10 years, and that other operating costs will be met from the Health Workforce Development tagged operating contingency;

7 **approve** the following changes to appropriations to provide for the decision in recommendation 3 above, with a corresponding impact on the operating balance and net debt:

	\$m increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
<b>Vote Health</b> <b>Minister of Health</b> Non-Departmental	-	-	-	-	-	-
<b>Vote Tertiary Education</b> <b>Minister of Education</b> <b>Multi-Category Expenses and Capital Expenditure</b> Tertiary Education and Training (MCA) Non-Departmental Output Expense: Qualification Delivery Qualifications at Level 7 (degree) and Above	-	0.169	0.517	0.879	1.334	2.899

**SENSITIVE – BUDGET**

<b>Vote Social Development</b> <b>Minister for Social Development and Employment</b> Benefits or Related Expenses: Student Allowances	-	-	-	-	0.064	0.064
<b>Minister of Revenue</b> Non-Departmental Capital Expenditure: Student Loans	-	0.235	0.492	0.757	1.257	2.740
<b>Vote Revenue</b> <b>Minister of Revenue</b> Non-Departmental Other Expenses: Initial Fair-Value Write-Down Relating to Student Loans	-	0.124	0.259	0.401	0.671	1.455
<b>Total Operating</b>	-	<b>0.293</b>	<b>0.776</b>	<b>1.280</b>	<b>2.069</b>	<b>4.418</b>
<b>Total Capital</b>	-	<b>0.235</b>	<b>0.492</b>	<b>0.757</b>	<b>1.257</b>	<b>2.741</b>
	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32 &amp; outyears</b>	<b>10-year total</b>
<b>Vote Health</b> <b>Minister of Health</b> Non-Departmental Output Expense Delivering Hospital and Specialist Services	4.728	9.456	9.456	9.456	9.456	42.552
<b>Vote Tertiary Education</b> <b>Minister of Education</b>						
<b>Benefits or Related Expenses</b>  Tertiary Scholarships and Awards	0.238	0.524	0.524	0.524	0.524	2.336
<b>Multi-Category Expenses and Capital Expenditure</b>	1.648	1.664	1.708	1.753	1.798	11.471

**SENSITIVE – BUDGET**

Tertiary Education and Training (MCA)						
Non-Departmental Output Expense:						
Qualification Delivery						
Qualifications at Level 7 (degree) and Above						
<b>Vote Social Development Minister for Social Development and Employment</b>						
Benefits or Related Expenses:						
Student Allowances	0.144	0.177	0.180	0.182	0.184	0.931
Non-Departmental Capital Expenditure:						
Student Loans	1.875	2.071	2.112	2.153	2.195	13.146
<b>Vote Revenue Minister of Revenue</b>						
Non-Departmental Output Expense:						
Initial Fair-Value Write-Down Relating to Student Loans	1.005	1.117	1.143	1.169	1.196	7.085
<b>Total Operating</b>	<b>7.883</b>	<b>13.201</b>	<b>13.274</b>	<b>13.347</b>	<b>13.421</b>	<b>65.544</b>
<b>Total Capital</b>	<b>1.875</b>	<b>2.071</b>	<b>2.112</b>	<b>2.153</b>	<b>2.196</b>	<b>13.148</b>

8 **agree** that the proposed 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;

9 **agree** that the operating expenses incurred under recommendation 7 above be charged against the Health Workforce Development tagged operating contingency described in recommendations 4 and 5 above;

10 **note** that following the adjustments detailed in recommendations 5 and 7 above, the Health Workforce Development tagged operating contingency is now exhausted and therefore closed;

- 11 **note** that the capital expenditure incurred under recommendation 7 above is largely expected to be repaid in the future, therefore is managed outside of Budget allowances;
- 12 **note** that subject to Cabinet’s approval, Te Whatu Ora and Te Aka Whai Ora will work with the University of Auckland and the University of Otago to identify how the additional places can help grow a medical workforce to ensure growing representation of Māori and Pacific peoples, and help grow a medical workforce which aspires to work in rural settings;
- 13 **note** the Minister of Health intends to announce this proposal once final decisions have been made by Cabinet.

Authorised for lodgement

Hon Dr Ayesha Verrall  
Minister of Health

Authorised for lodgement

Hon Jan Tinetti  
Minister of Education

## Recommendations

The Ministers of Health and Education jointly recommend the Committee:

- 1 **note** that New Zealand needs more medical practitioners to meet the needs of our growing and ageing population, and to achieve health equity and pae ora;
- 2 **note** that government funding of medical school enrolments is limited by a funding cap, and that past increases to the cap have been Cabinet decisions due to the fiscal implications;
- 3 **agree** to increase the funding cap to support additional 50 students, beginning in 2024, at an estimated operating cost of \$1.166 million and capital cost of \$0.587 million in 2023/24, and a total operating cost of \$201.805 million and \$32.866 million in capital funding over ten years;
- 4 **note** that the Health Workforce Development tagged operating contingency of \$31 million over four years to 2025/26 was established as a part of Budget 2022 [CAB-22-MIN-0129, initiative 14533]:

	\$m – increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
Health Workforce Development – tagged operating contingency	7.000	8.000	8.000	8.000	8.000	39.000
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	8.000	8.000	8.000	8.000	8.000	79.000

- 5 **agree** to rephase the Health Workforce Development tagged operating contingency, to meet the costs of this initiative in outyears as follows:

	\$m – increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
Health Workforce Development – tagged operating contingency	-	0.293	0.776	1.280	2.069	4.418
	2027/28	2028/29	2029/30	2030/31	2031/32	10-year total
Health Workforce Development – tagged operating contingency	7.883	13.201	13.274	13.347	13.421	65.544

**SENSITIVE – BUDGET**

6 **agree** that the operating costs of this initiative be met from the following sources:

	Sm increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
<b>Total operating costs for 50 additional medical places</b>	-	1.166	3.253	5.428	8.556	18.402
Funded from:						
Reprioritisation with Vote Tertiary Education	-	0.169	.517	0.879	1.334	2.898
Heath Workforce Development tagged contingency	-	0.293	0.776	1.280	2.069	4.418
DHB Sustainability Fund	-	0.704	1.960	3.269	5.153	11.086
Te Whatu Ora baselines	-	-	-	-	-	-
	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32 &amp; outyears</b>	<b>10-year total</b>
<b>Total operating costs for 50 additional medical places</b>	<b>24.794</b>	<b>39.210</b>	<b>39.502</b>	<b>39.799</b>	<b>40.098</b>	<b>201.805</b>
Funded from:						
Reprioritisation with Vote Tertiary Education	2.006	2.451	2.495	2.540	2.585	14.975
Heath Workforce Development tagged contingency	7.883	13.201	13.274	13.347	13.421	65.544
DHB Sustainability Fund	14.905	21.181	21.181	21.181	21.181	110.715
Te Whatu Ora baselines	-	2.377	2.552	2.731	2.911	10.571

7 **approve** the following changes to appropriations to provide for the decision in recommendation 3 above, with a corresponding impact on the operating balance and net debt:

	Sm increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27	Forecast period total
<b>Vote Health Minister of Health Multi-Category Expenses and Capital Expenditure Stewardship of the New Zealand</b>	-	(0.704)	(1.960)	(3.269)	(5.153)	(11.086)



**SENSITIVE - BUDGET**

health system MCA Departmental Output Expenses: Sector Performance and Monitoring (funded by revenue Crown)						
<b>Vote Tertiary Education Minister of Education</b>  <b>Multi-Category Expenses and Capital Expenditure</b>  Tertiary Tuition and Training (MCA)  Non-Departmental Output Expense:  Qualification Delivery	-	0.677	2.067	3.515	5.336	11.595
<b>Vote Social Development Minister for Social Development and Employment</b> Benefits or Related Expenses: Student Allowances	-	-	-	-	0.160	0.160
Non-Departmental Capital Expenditure: Student Loans	-	0.587	1.229	1.892	3.142	6.850
<b>Vote Revenue Minister of Revenue</b> Non-Departmental Other Expenses: Initial Fair-Value Write-Down Relating to Student Loans	-	0.320	0.669	1.034	1.726	3.749
<b>Total Operating</b>	-	<b>0.293</b>	<b>0.776</b>	<b>1.280</b>	<b>2.069</b>	<b>4.418</b>
<b>Total Capital</b>	-	<b>0.587</b>	<b>1.229</b>	<b>1.892</b>	<b>3.142</b>	<b>6.850</b>

**SENSITIVE – BUDGET**

	2027/28	2028/29	2029/30	2030/31	2031/32 & outyears	10-year total
<b>Vote Health</b> <b>Minister of Health</b> Non-Departmental Output Expense Delivering Hospital and Specialist Services <b>Multi-Category                      Expenses and                      Capital                      Expenditure</b> Stewardship of the New Zealand health system MCA Departmental Output Expenses: Sector Performance and Monitoring (funded by revenue Crown)	11.819	21.264	21.088	20.910	20.728	95.809
	(14.905)	(21.181)	(21.181)	(21.181)	(21.181)	(110.715)
<b>Vote Tertiary                      Education</b> <b>Minister of                      Education</b>  <b>Benefits or                      Related Expenses</b>  Tertiary Scholarships and Awards  <b>Multi-Category                      Expenses and                      Capital                      Expenditure</b> Tertiary Tuition and Training (MCA) Non-Departmental Output Expense: Qualification Delivery	0.477	1.049	1.049	1.049	1.049	4.673
	7.547	8.755	8.931	9.109	9.291	55.228
<b>Vote Social Development</b>						

**SENSITIVE – BUDGET**

<b>Minister for Social Development and Employment</b> Benefits or Related Expenses: Student Allowances	0.361	0.443	0.449	0.455	0.461	2.329
Non-Departmental Capital Expenditure: Student Loans	4.687	5.178	5.280	5.383	5.488	32.866
<b>Vote Revenue</b> <b>Minister of Revenue</b> Non-Departmental Output Expense: Initial Fair-Value Write-Down Relating to Student Loans	2.584	2.871	2.938	3.005	3.073	18.220
<b>Total Operating</b>	<b>7.883</b>	<b>13.201</b>	<b>13.274</b>	<b>13.347</b>	<b>13.421</b>	<b>65.544</b>
<b>Total Capital</b>	<b>4.687</b>	<b>5.178</b>	<b>5.280</b>	<b>5.383</b>	<b>5.488</b>	<b>32.866</b>

8 **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;

9 **note** the reprioritised funding from the multi-category appropriation ‘Stewardship of the New Zealand health system’ is sourced from the DHB Sustainability Fund;

10 **note** the funding appropriated to the non-departmental output expense appropriation ‘Delivering Hospital and Specialist Services’ from 2028/29 is net of the following reprioritised funding:

2028/29	2029/30	2030/31	2031/32 & outyears	Forecast period total
(2.377)	(2.552)	(2.731)	(2.911)	(10.571)

11 **agree** that the rephased Health Workforce Development tagged operating contingency described in recommendations 4 and 5 above is fully utilised to contribute towards the operating expenses incurred under recommendation 7 above;

12 **note** that following the adjustments detailed in recommendations 5 and 7 above, the Health Workforce Development tagged operating contingency is now exhausted and therefore closed;

13 **note** that the capital expenditure incurred under recommendation 7 above is largely expected to be repaid in the future, and is therefore managed outside of Budget allowances;

- 14 **note** that subject to Cabinet’s approval, Te Whatu Ora and Te Aka Whai Ora will work with the University of Auckland and the University of Otago to identify how the additional places can help grow a medical workforce to ensure growing representation of Māori and Pacific peoples, and help grow a medical workforce which aspires to work in rural settings;
- 15 **note** the Minister of Health intends to announce this proposal once final decisions have been made by Cabinet.

Authorised for lodgement

Hon Dr Ayesha Verrall

Minister of Health

Authorised for lodgement

Hon Jan Tinetti

Minister of Education

PROACTIVELY RELEASED