

03 DEC 2018

[REDACTED]

Ref: H201807524

Dear [REDACTED]

Response to your request for official information

I refer to your email of 9 November 2018 to the Ministry of Health (the Ministry) requesting under the Official Information Act 1982 (the Act):

1. *"Could you please provide me similar reports covering the period from 2011 to 2017. Also, please kindly provide the statistics on health care expenditure, including:
 - a. Sources of health funding
 - b. Details of budget allocation for each DHB from 2011 to 2017.*
2. *When DHBs fall into deficit, how can DHBs compensate for this loss? Are they required to generate surplus to balance with deficit or get subsidy from the government? If possible, please explain me more details on this problem."*

I note that we have responded to Part 1 of your request on 18 October 2018 (Ref H201806642) and 5 November 2018 (Ref H201807098).

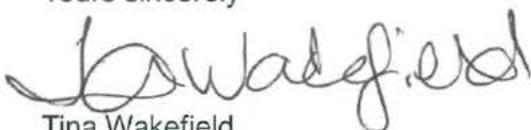
Statistics on health care expenditure are publicly available on the Ministry's website within the Ministry's Annual Reports and various other publications. The New Zealand Treasury website also has various publications on New Zealand Budgets and Government spending that includes health care. A further source of health care expenditure statistics is also located on individual district health boards' (DHBs) websites. As these sources of information are publically available, this part of your request is refused pursuant to section 18(d) of the Act.

In respect to Part 2 of your request, DHBs are expected to operate within their means in providing health services to their population. If DHBs continue to operate in deficit, the Ministry has a deficit support appropriation that can be allocated to DHBs. Attached as Appendix One is an extract from the Operational Policy Framework 2018/19 on dealing with deficit support to DHBs.

I trust this information fulfils your request. You have the right, under section 28 of the Act, to ask the Ombudsman to review any decisions made under this request.

Please note that the Ministry may publish this response (with your personal details removed) and any attachments on the Ministry of Health website.

Yours sincerely



Tina Wakefield
**Acting Deputy Director-General
Corporate Services**

12.15 Equity support for funding deficits

12.15.1 There is a DHB equity support appropriation that requires the joint approval of the Ministers of Health and Finance.

12.15.2 The equity support appropriation has limited funding. Ministers of Health and Finance agreed in 2015 that deficit support should be by way of equity injections, and should be limited to DHBs which are not able to fund their deficits from within their own balance sheets and would otherwise exhaust their cash resources.

12.15.3 The need and amount of equity should be signalled in a DHB's Annual Plan. The Annual Plan should detail separately equity planned for cash flow support (cash shortfalls on operations), capital spending up to the value of depreciation detailed in the Annual Plan and any capital spending that is greater than the value of depreciation. The combination of proper planning and good financial management should mean that requests for equity or debt not signalled in plans will be rare.

12.15.4 DHBs are requested to provide early advice of any changes in the deficit support requirements signalled in their Annual Plans so that the likely requests on the limited funding are known in advance.

12.15.5 Signalling the need for equity in the Annual Plan does not imply that an equity request will be approved. Applications for deficit support will be subject to a rigorous approval process.

12.15.6 DHBs should not expect approval of equity if any capital charge payments are overdue.

12.15.7 When requesting deficit support, DHBs must provide the Ministry with sufficient information to enable a clear identification of:

- a. the DHB's projected financial position and cash flow showing when the DHB will exhaust its available cash resources. It must also clarify the extent to which it will utilise the available collective overdraft facility
- b. whether there are alternatives to the provision of an equity injection.

12.15.8 The formal request for equity support should take the form of a letter from the DHB Chair that is:

- a. addressed to the Ministry of Health (Attn: Director, Service Commissioning)
- b. supported by a Board resolution.

12.15.9 The approval process can take some time from the point a formal request is received. Individual DHB needs must be considered in the context of the broader sector needs. Once approval is given, distribution of the funds will be arranged between the Ministry and the DHB, and generally takes a month to distribute. Where deficit support is released in instalments, DHBs must for each instalment provide a request that is supported by details of cash flows, both actual and forecast. Actual data should be provided for the 12 weeks prior to the date of deficit support request and weekly cash flow forecasts are required for either the period covered by the request or six months, whichever is longer.

12.15.10 *This appropriation must only be used to fund cash requirements caused by operating deficits; capital expenditure must be limited to the level of depreciation planned in the most recently agreed Annual Plan. The 'DHB deficit support' appropriation must not be used to fund capital projects.*