

Briefing

Manatū Hauora summary of Te Whatu Ora performance – December 2022

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| Date due to MO: | 22 February 2023 | Action required by: | N/A |
| Security level: | IN CONFIDENCE | Health Report number: | HR2023019947 |
| To: | Hon Dr Ayesha Verrall, Minister of Health | | |

Contact for telephone discussion

| Name | Position | Telephone |
|------------------------|---|-----------|
| Robyn Shearer | Deputy Chief Executive Deputy Director General, Te Pou Mahi Pūnaha System Performance and Monitoring | s 9(2)(a) |
| Hayden Luscombe | Acting Associate Deputy Director General, Te Pou Mahi Pūnaha System Performance and Monitoring | |

Minister's office to complete:

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 Withdrawn | |

Comment:

Manatū Hauora summary of Te Whatu Ora performance – December 2022

Security level: IN CONFIDENCE **Date:** 22 February 2023

To: Hon Dr Ayesha Verrall, Minister of Health

Purpose of report

1. Te Whatu Ora have provided their December 2022 monthly financial and non-financial report. As part of our role as the lead monitor of Te Whatu Ora this report contains our monthly assessment of the organisation's performance.
2. This report focuses on a review of the latest available financial information and reports on non-financial performance on an exception basis.
3. This report discloses all relevant information

Summary

4. Te Whatu Ora has reported a December year-to-date (YTD) net surplus of \$214 million, which is \$14 million favourable to budget.
5. A full year forecast shows an expected breakeven result which is in line with budget. At this stage we estimate a risk range of \$100 - \$200 million based on known risks.
6. Financial reporting for Te Whatu Ora continues to improve. However, we have communicated the need for:
 - a) more updated information on financial risks
 - b) a timeline to provision of appropriation and output class reporting
 - c) more detailed financial information in a format which supports our data analysis and reporting role.
7. Manatū Hauora continues to have concerns regarding the increasing numbers of patients waiting longer than intended for planned care and the operationalisation of plans for seasonal acute pressures.
8. A letter to the Te Whatu Ora Board Chair has been prepared for your consideration which requests more detailed implementation plans for improvements to waiting lists, Winter planning and workforce constraints.

Recommendations

We recommend you:

- a **Note** Te Whatu Ora has provided you with its monthly report covering the month of December 2022.
- b **Note** actions underway by Manatū Hauora to improve future reporting and support the performance of Te Whatu Ora.



Dr Diana Sarfati
Director-General of Health
Manatū Hauora

Date:



Robyn Shearer
Deputy Chief Executive
Deputy Director-General,
System Performance | Te Pou Mahi Pūnaha

Date: 16 February 2023

Hon Dr Ayesha Verrall
Minister of Health

Date:

Manatū Hauora summary of Te Whatu Ora performance – December 2022

Background

9. You recently received the November 2022 Manatū Hauora monthly summary of Te Whatu Ora performance (HR2023019102 refers). This outlines a slight change in focus of our monthly reports to concentrate mainly on the financials and identification of material risks to Crown Entity performance.
10. Manatū Hauora has reviewed the non-financial December report and we have included an update on continuing risks related to planned care and winter preparedness. Any emerging concerns will be indicated through the weekly reports.

Financial assessment of Te Whatu Ora performance by Manatū Hauora

11. Te Whatu Ora December 2022 financial performance report shows a YTD net surplus of \$214 million, \$14 million favourable to budget, following a \$30 million deficit for December 2022 (vs budgeted \$34 million deficit). Within the result is a reported adverse \$69 million deficit from COVID-19 vs budget, which is offset by an \$81 million favourable to budget underlying business as usual surplus.
12. Full time equivalents (FTEs) are reported to be 2,648 under budget for the month with monthly staffing costs \$38 million unfavourable to budget. FTEs are 1,790 under budget for the YTD, while staffing costs are \$37 million unfavourable to budget reflecting much higher average costs per FTE overall (+3 percent vs budget). The increased higher unit cost compared to November 2022 is due to 2 Te Whatu Ora regions accruing personnel costs for the nurses pay equity decision.
13. The cash balance at the end of December 2022 was \$3.8 billion, an increase of \$2.4 billion on the cash position at the end of November 2022. This was the result of the early payment of the January 2023 funding at the end of December 2022 due to the holiday period. Overall, the cash position of Te Whatu Ora is positive, although they are still not able to provide us with a forecast cashflow through to the end of this financial year.
14. Overall, the report and the information it contains continues to improve. This month's report includes a financial summary for 'Commissioning, National and Corporate Services' which had not been included in prior months. This has helped us to better understand the detail behind this area's December 2022 \$34 million favourable variance to budget.
15. Te Whatu Ora have provided a full-year financial forecast showing an expected breakeven result, in line with budget. Our analysis currently supports the breakeven position of Te Whatu Ora; however, their forecast excludes COVID-19 revenue and costs post-December 2022. At this stage, we estimate a risk range of \$100 - \$200 million based on known risks. We have also requested a more comprehensive summary view of what is driving the underlying BAU surplus of approximately \$300 million.
16. The report includes a list of quantified financial risks **s 9(2)(g)(i)**


s 9(2)(g)(i) The list of risks should be updated and include additional detail about the likelihood of the risk, the effect it will have in the current year and what mitigations are in place in the event of the risks materialising.

s 9(2)(g)(i)

18. All noted issues that still require resolution have now been escalated to the Chief Financial Officers of Manatū Hauora and Te Whatu Ora to discuss. These include:
 - a. updating the high level financial risk assessment slide to better understand the implications and risk range vs their current breakeven financial forecast
 - b. when Te Whatu Ora will be able to provide appropriation and output class reporting to their Board and Manatū Hauora. It is concerning that there is still no appropriation view being provided to the Board or Ministers
 - c. the provision of more detailed financial information, and in a format more easily able to be loaded into our data analysis and reporting tool (eg, budgets and forecasts phased by region, more detailed balance sheet movement information, cash-flow forecasting and so on).
19. Manatū Hauora continues to work with Te Whatu Ora to obtain additional information and greater levels of underlying detail as required.

Continued and Emerging Non-financial Areas of Concern

20. As discussed above, Manatū Hauora only includes information on non-financial performance in our monthly reports when there is a new or significant change in a priority area.
21. The current areas of priority that we are focussing on with Te Whatu Ora are:
 - a. assurance around national clinical governance model and oversight of quality of care
 - b. the pace of change in planned and acute care recovery processes
 - c. organisation change plan and milestones for organisational transformation
 - d. management of infrastructure project cost escalation
 - e. workforce planning, recruitment and retention activities.
22. We have provided an update on planned care and winter preparedness below. After several months of stabilisation, the number of people waiting longer than intended for services increased in December 2022. The pace of planned care recovery remains a concern.
23. We have also recently provided feedback to Te Whatu Ora about the level of preparedness for expected seasonal winter pressures this year.

Planned care and winter preparedness

24. In December 2022, there was an increase in patients waiting more than 4 months for First Specialist Assessment from 37,779 in November 2022 to 43,891. The number of people waiting more than 4 months for treatment increased from 28,731 to 32,192. The total number of patients on the waiting list has increased substantially as the inflows to the waiting lists have not kept balance with a reduction in outflows.
25. Te Whatu Ora have developed a comprehensive set of actions to improve the delivery of planned care but have only recently agreed additional volumes with the regions.
26. Whilst agreeing with the initiatives Te Whatu Ora is developing, Manatū Hauora has advised Te Whatu Ora of the need to clearly communicate a plan with a specific goal for waiting list reduction and prioritised actions, deliverables, timeframe and budget.
27. Recent discussions with the responsible Te Whatu Ora executives have been encouraging in acknowledging the need for additional progress to be made.
28. If we do not see the expected focus on improving performance, interventions are available. Options to assist with planned care and performance improvement include:
 - Manatū Hauora taking a more directive approach to the monitoring we expect the entity to be undertaking internally, by providing templates for reporting to us
 - facilitating workshops with Te Whatu Ora (including with clinical leaders) with the explicit aim of addressing implementation barriers
 - requiring a report from the Board Chair to you to provide confidence that the Board is focused on reducing planned care waiting lists and setting the right expectations for management.
29. With regards to winter planning, Manatū Hauora has recently provided feedback to Te Whatu Ora of the need for prioritisation of initiatives and more detail on the plan for operationalisation.
30. It is important that we are fully prepared for expected seasonal pressures this year and that the Winter Preparedness Plan covers all potential pressures, including COVID-19.
31. A lot of work has already been done to prepare, but there is a need for detailed implementation plans to be widely communicated and all actors to be clear on their responsibilities within the implementation plan.

Next steps

32. Manatū Hauora will discuss the financial concerns raised in this report with Te Whatu Ora Corporate Finance team at their regular monthly meeting. The next meeting is scheduled for 22 February 2023. Manatū Hauora is likely to ask the following questions to support further assessment.
 - a. What are the underlying drivers of the reported YTD \$214 million surplus and how confident is Te Whatu Ora that the forecast breakeven position can be delivered?
 - b. Why are Te Whatu Ora reporting that they have utilised all COVID-19 funding in the first 6 months of 2022/23 (\$1.4 billion) when \$171 million of unspent COVID-19 funding was approved by Cabinet to be carried forward into January and February 2023?
33. The following points continue to be unresolved and will be escalated to the Chief Financial Officers of both Manatū Hauora and Te Whatu Ora for resolution.

- a. Which of the risks listed on the high-level financial risk report are likely to impact the current year-end forecast against budget and can this be quantified for 2022/23?
 - b. How is revenue attributed to the outputs being delivered against appropriations, and when will Te Whatu Ora start reporting against both appropriations and output classes?
34. A letter to Te Whatu Ora Board Chair and Chief Executive has been prepared for your consideration which requests:
- an implementation plan for improvements to waitlists, winter preparedness and workforce
 - more detail on the internal Te Whatu Ora performance management processes
 - clarity on the communications that are being provided to their workforce on the above priorities.
35. Manatū Hauora will provide a more detailed update on Te Whatu Ora quarter 2 performance in March 2023.

ENDS

Minister's Notes

PROACTIVELY RELEASED