

Briefing

Manatū Hauora Summary of Te Whatu Ora – Health New Zealand's Quarter 2 Performance

Date due to MO:	24 March 2023	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	2023020822
To:	Hon Dr Ayesha Verrall, Minister of Health		
Copy to:	Hon Peeni Henare, Associate Minister of Health		
Consulted:	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Robyn Shearer	Deputy Chief Executive, Deputy Director-General, System Performance and Monitoring – Te Pou Mahi Pūnaha	s 9(2)(a)
Jess Smaling	Associate Deputy Director-General, System Performance and Monitoring – Te Pou Mahi Pūnaha	

Minister's office to complete:

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|---|------------------------------------|--|
| <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 Withdrawn | |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 Quarter 2 Performance

Security level: IN CONFIDENCE **Date:** 24 March 2023

To: Hon Dr Ayesha Verrall, Minister of Health

Purpose of report

1. This briefing provides our assessment of the Te Whatu Ora quarter 2 2022/23 performance report. We have provided commentary on areas of progress and risk.
2. We have also received the Te Aka Whai Ora quarter 2 2022/23 report and will provide an assessment of this to you on 28 March 2023.
3. This report discloses all relevant information.

Summary

4. The second Te Whatu Ora quarterly report reflects a significant tightening of reporting to focus on the 6 Board priority Te Pae Tata actions to achieve the interim Government Policy Statement (iGPS).
5. The overarching view of Te Whatu Ora is that they are making incremental change across a range of areas. s 9(2)(g)(i) [REDACTED]
6. Key risks of note include implementing the next phase of the organisations transformation programme; data, analytical, and financial capacity and capability, and workforce constraints making considering changes to models of care while maintaining and improving access to services overall challenging.
7. s 9(2)(g)(i) [REDACTED]

Recommendations

We recommend you:

- a) **Note** the Manatū Hauora assessment of Te Whatu Ora quarter 2 2022/23 performance.



Dr Diana Sarfati
Director-General of Health
Te Tumu Whakarae mō te Hauora

Date: 24 Mar 2023

Hon Dr Ayesha Verrall
Minister of Health

Date:



Robyn Shearer
Deputy Chief Executive and Deputy Director-General
System Performance and Monitoring
Te Pou Mahi Pūnaha

Date: 24 March 2023

PROACTIVELY RELEASED

Manatū Hauora summary of Te Whatu Ora Quarter 2 Performance

Context and background

8. This briefing provides our assessment of the performance of Te Whatu Ora during quarter 2 of 2022/23.
9. The report is informed by their quarterly report, non-financial measures and data analysis. It also provides you with the most recent financial result for January 2023. Our assessment also considered discussions that took place during our regular engagements with Te Whatu Ora across Manatū Hauora.
10. The Public Service Commission (PSC) publishes guidelines for monitors of Crown entities, recommending focus on:
 - a. alignment to legislation and government priorities
 - b. leadership – the Te Whatu Ora Board (the Board) being accountable and demonstrating leadership
 - c. organisation – the entity having the right capability and capacity
 - d. results – the entity performing to expectations.
11. Under the Crown Entities Act 2004, Te Whatu Ora is a Crown Agent required to give effect to government policy. Our established Crown entity monitoring framework is shaped by government and health system priorities and incorporates these recommended focus areas.
12. The operating environment continues to be demanding for Te Whatu Ora with ongoing workforce constraints and service pressures. Navigating the complexity of the health reforms and organisational transformation creates a challenging context for Te Whatu Ora.

Alignment to Legislation and government priorities

s 9(2)(g)(i)

14. There continues to be detail missing on how priorities are being implemented and specifics on timeframes and actions being taken.
15. Your Letter of Expectations, sent to the interim Board Chair on 16 March 2023, clearly articulates your expectations for immediate delivery and ways of working. It requires an implementation plan for improvements to waitlists, winter preparedness and workforce to be submitted by 6 April 2023. This includes the need for prioritised actions for delivery, progress milestones, deliverables and timeframes through to June 2024. This will be a critical enabler to provide additional structure and accountability to the responses seen to date.

Workforce

16. The Workforce Taskforce has developed a programme of work and is in the process of making recommendations to the Board for funding. Following the Board's consideration of these recommendations, it is expected that the Taskforce will be retired with the programme overseen by a workforce business unit within Te Whatu Ora.
17. The Workforce Taskforce continues to work well with Manatū Hauora on key policy settings, for example the recent work on medical placements. It will be important to ensure that the strong interface with Te Whatu Ora and Te Aka Whai Ora remains, once the taskforce is stood down.
18. Specific reporting on Workforce Taskforce milestones is not provided in the quarterly report and Manatū Hauora will raise this with Te Whatu Ora in regular performance discussions.
19. Significant pressures on workforce capacity remain. Of note, Te Whatu Ora reported that midwifery currently has a 28.5 percent vacancy rate. 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 provide the best outcomes for the patient and the workforce.

20. s 9(2)(j)

21.

22. We are supportive of the Te Whatu Ora Board's focus on driving three main Employment Relations (ER) matters:
 - a. Clarifying ER settings across the system
 - b. Clearing the decks of historical issues in the way of making progress
 - c. Focus on cultural transformation and involving unions more.

Waitlists

23. The number of people waiting over 4 months for a first specialist assessment (FSA) increased in December 2022 to 43,891 people (from 37,779 in November 2022). For treatment, the number of people waiting over 4 months increased in December 2022 to 32,192 people (from 28,731 in November 2022).
24. Both the number of inpatient surgical discharges and the total number of discharges are lower compared to the past three financial years (YTD December 2022). Actual planned care delivery levels remain below those prior to COVID-19.
25. Te Whatu Ora have reported that long-standing delivery pressures will take time to resolve and are not yet able to articulate timeframes for a reduction in patients waiting more than 4 months. There are ongoing staffing constraints, particularly affecting operating theatre resourcing. Production plans for 2023/24 are being developed and the potential to lift delivery will be critical to the trajectory of waiting lists.

26. Manatū Hauora have reiterated our concerns about the need to communicate clear expectations for regions regarding waiting list reductions and the management of patients while they wait longer than intended for services. Te Whatu Ora confirmed they are working on a communications strategy and will share that with Manatū Hauora.

Winter Preparedness

27. In quarter 2 2022, Emergency Department (ED) presentations were of higher acuity in number and proportion than the previous year. The Shorter Stays in Emergency Department (SSED) metric for all patients was at 73 percent for December 2022. This has remained stable (around 72-73 percent) for the last 6 months.
28. There is concern around the steeply increasing percentage of those who do not wait in the ED. We will be following up with Te Whatu Ora at our next Planned and Acute Care meeting to understand what mitigations they have in place to address this.
29. Assumptions being used for winter planning 2023 include, general respiratory admissions extending from April to October 2023 and the possibility of a COVID-19 wave due to waning immunity. Considerable uncertainty remains about timing, magnitude and severity of a further wave.
30. Progress is being made on preparations for winter. This includes increased flu vaccinations; increased telehealth options; hospital discharge improvements and a communications campaign. However, Te Whatu Ora have yet to describe in detail how initiatives will be prioritised and operationalised.

Immunisation

31. Manatū Hauora has received information from Te Whatu Ora on its plans and preparation for influenza, COVID-19 and MMR vaccination programmes.
32. We are also awaiting the final report of the immunisation taskforce.
33. It is concerning to see that recent immunisation at 24 months figures show worsening inequity, with Māori at 66.4 percent, Pacific 81.9 percent and National 82.4 percent. Timeliness of first vaccination at 6 weeks should be a focus with early engagement likely to lead to better outcomes.
34. In quarter 3 we expect cyclone impacted areas to show a further reduction in immunisation rates due to access.
35. You have recently received a briefing from Te Whatu Ora on approaches to increase immunisation rates. The Public Health Agency is engaging with Te Whatu Ora and considering how it can best support and influence performance more effectively in this area.

Mental health and wellbeing

36. Improvements have been made with the level of information provided about mental health and addiction in the Te Whatu Ora quarter 2 report.
37. s 9(2)(g)(i)

s 9(2)(g)(i)

38.

39. Without clear commissioning architecture there is a risk of inconsistency in mental health care models across Te Aka Whai Ora and Te Whatu Ora. We have offered support to the agencies for models of care and reporting improvements.

Infrastructure

40. Te Whatu Ora acknowledges the need for enhanced reporting of its capital portfolio. Quality reporting is a key assurance tool. Current areas of focus for Manatū Hauora in our interactions with Te Whatu Ora include:
- a. scope of reporting
 - b. quality of performance metrics and analysis
 - c. better milestone information for significant projects
 - d. materiality
 - e. assessment process.
41. Current reporting shows a significant portion of total dollar value of the reported portfolio are either amber or red. These investments represent a challenging delivery environment and a need for more intensive support.
42. Manatū Hauora has developed an investment monitoring framework and are working with Te Whatu Ora to identify the timeframe for key improvement activities, including reporting. We are also working with the Treasury, Te Waihanga and Te Whatu Ora on the first infrastructure report back, due to Cabinet 31 July 2022. This report will provide an update on the progress of, and planning for, Te Whatu Ora to enhance its 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.

Budget 22 initiatives

43. Progress updates provided are largely focused on establishment activity including stand up of governance structures, recruitment to key roles, scoping and planning activity.

s 9(2)(g)(i)

45. These concerns have been escalated through the Joint Ministers meeting on 20 March 2023 including seeking assurance that resources align to priorities.

Results – the entity performing to expectations

46. While action is being taken in a range of areas, there is a lack of detail provided in response to questions. In most areas we are yet to see results of activities being undertaken. While

we do not expect Te Whatu Ora to quickly resolve what are in many cases complex and long-standing issues, we would like to see greater communication regarding the entities' ownership of solutions, including communications with staff. While we are pleased to see the continued breakeven forecast, we do have concerns regarding the ability of the entity to deliver some fundamental financial information.

Te Pae Tata

47. Although some progress has been made in the delivery of Te Pae Tata, progress updates are missing for many actions. Where progress is reported much of this is focused on programme establishment activities such as initial engagements with other entities, development of supporting frameworks and/or terms of reference, pilot establishment and activities related to scoping/work programme design.
48. Te Whatu Ora identifies 46 of the 187 Te Pae Tata actions as on track, 28 require monitoring to ensure they meet the intended deadline, 1 action is red and at risk of not meeting the deadline. Of primary concern, 96 actions do not have milestones.
49. The action identified as red is for a locality plan template to be co-created in quarter 2. This is to support commissioning approaches for making healthy choices the easy choice for people at risk of chronic conditions, and for families raising small children. No concrete mitigations are provided.
50. The large number of Te Pae Tata actions that do not have milestones in place for quarter 2 and subsequent quarters make it difficult for stakeholders, including the entities themselves and their monitors, to determine if overall delivery is progressing to expectation.
51. Manatū Hauora has requested milestones for quarters 3 and 4 be provided ahead of quarter 3 reporting. This will assist in providing confidence that an implementation plan that delivers on the commitments made in Te Pae Tata is in place for all actions.
52. This will allow a more streamlined and exception-based approach to future reporting with a focus on areas of key achievements and key risks alongside high-level confirmation updates for areas tracking to plan.
53. It is also important that a clear and comprehensive implementation plan is provided for each action prior to the start of 2023/24. Provision of this detail by the end of April 2023 will align with timelines to supply the draft Statement of Performance Expectations for 2023/24.
54. Mitigations provided for actions and measures that are off track vary in quality with an emphasis on process focused mitigations. We expect this aspect of reporting to be strengthened for quarter 3.

Link to Interim Government Policy Statement

55. The quarter 2 report highlights key achievements for each of the 6 priority areas identified in Te Pae Tata. Te Whatu Ora has indicated these priorities form the basis for their response to the iGPS, but there is no one-to-one mapping.
56. Manatū Hauora is producing an iGPS measures snapshot report, which will show if the iGPS measures are meeting the baseline or target each quarter. You can expect to see this in an upcoming briefing on system performance in early April 2023. Similarly to the reporting of Te Pae Tata actions, most mitigations provided are focused on reviews of current activity or

process establishment with just a few showing solid future focused plans. We expect the mitigations to be strengthened for quarter 3 reporting.

Financial performance

57. The Te Whatu Ora January 2023 financial performance report shows a YTD net surplus of \$125 million, \$11 million favourable to budget, following a \$89 million deficit for January (vs budgeted \$86 million deficit).

s 9(2)(j)

59. The financial reporting continues to develop with the inclusion of a high-level Capital Plan Performance Report to 31 December 2022. The report shows the YTD and forecast capital spend vs Plan for the current year by asset category. We note that Te Whatu Ora are currently \$301 million (33 percent) underspent and are forecasting a \$447.8 million (19 percent) underspend for the full year.
60. We continue to meet with the Te Whatu Ora corporate finance team each month to obtain explanations to questions raised and to obtain additional information where possible.
61. Where the information or explanations are not forthcoming, we are escalating our concerns to a discussion between the Chief Financial Officers of Manatū Hauora and Te Whatu Ora for resolution.

s 9(2)(g)(i)

Productivity

63. The development of some form of productivity measure is a priority for the Board of Te Whatu Ora and the organisation. A recent meeting between ourselves, Treasury and Te Whatu Ora was an opportunity for them to share their thinking on the initial productivity measure they are developing.
64. We expect an update on their productivity measurement work and will be following up with them on their progress.

Equity

65. It is pleasing to see this report has fully reported against Te Pae Tata which directly relates to Whakamaua (Māori Health Action Plan). This provides a starting point for us to see progress against these actions.
66. Work has begun to establish localities in partnership with iwi. This will ensure local communities are involved in designing how healthcare services respond to their needs, in particular the relevant care closer to home. However, there is a need for further detail on the role of localities and accelerated pace of development given their fundamental role in the new health system.
67. A subset of measures available by ethnicity are provided in Appendix One.
- a. Immunisation coverage (percentage immunised at 2 years).

- b. Percentage of people that did not attend their first specialist assessment.
 - c. Percentage of newborn enrolments at 3 months.
 - d. Percentage of ED presentations that did not wait for a consultation.
68. These 4 measures all show a significant equity gap. Of particular concern is the steeply increasing percentage of those who do not wait in the ED and the equity gap for Māori is widening.
69. Following continuing deterioration in new-born enrolments it is pleasing to see that this is improving and that the equity gap between Māori and non-Māori is slowly improving. If this continues it would be expected that the immunisation coverage will also improve.
70. We will be following up with Te Whatu Ora at our next Planned and Acute care meeting about what course of action they are taking to address the numbers of patients who did not attend their first specialist assessment or did not wait for an ED consult.

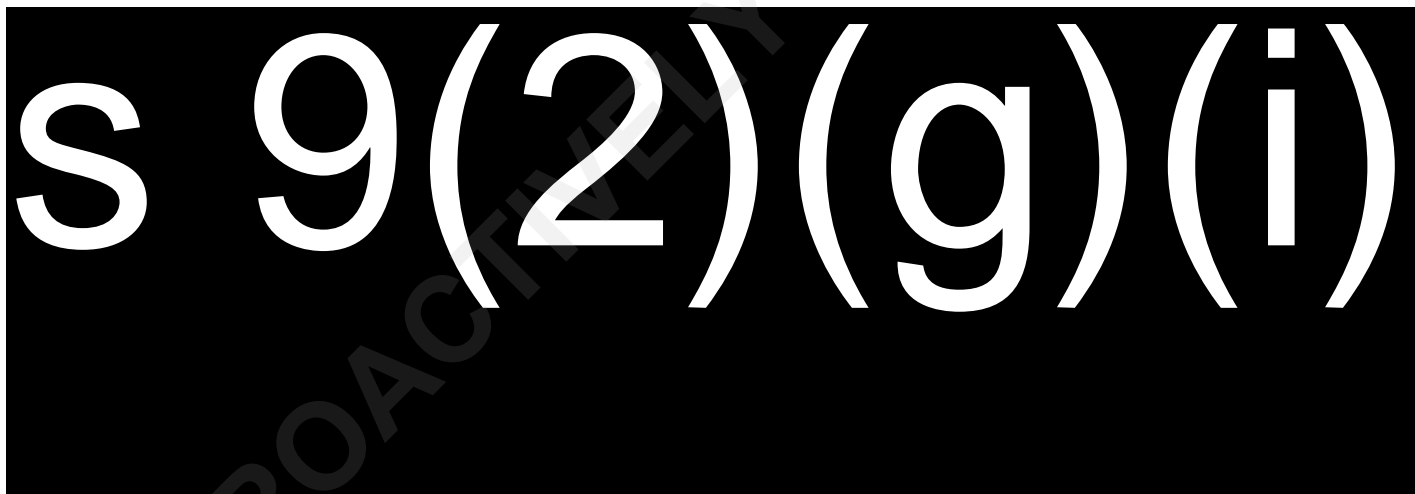
Leadership

71. The current reporting Manatū Hauora receives from Te Whatu Ora is not sufficient to be able to fully assess how the Board is undertaking their role as primary monitor as it relates to quarter 2. Outside of this reporting period, Manatū Hauora is in discussion with the executive to access suitable information to fulfil our role of Monitor. Engagement between the Director-General and the interim Chair has been scheduled and we will be looking to understand the Board's level of comfort in a number of areas including planning and delivery, internal performance management, capability, quality of information for decision making and risk.
72. Separate advice has been provided to you outlining the process that will be followed to appoint the permanent Chair [briefing H2023021680 refers]. Once you have confirmed your support for the process we will undertake the first steps, including launching an advertisement and seeking nominations.
73. Manatū Hauora and the Public Service Commission are preparing a targeted induction process for the acting Te Whatu Ora Chair, noting Naomi Ferguson was an existing Board member. The induction will primarily focus on maintaining organisational progress on priorities, ensuring open communication, and how we can best support the Chair and her Board.
74. We will also prepare a targeted induction process for the permanent Chair and Deputy Chair to be ready when required.
75. It is our intention that at future meetings between the Director-General and the interim Chair we will be looking for confirmation on areas such as:
- a. Coherence and pace of planning and delivery activity, including which areas are of most concern to the Board, why and what are the immediate plans of action.
 - b. Comfort with the efficacy of the organisation's internal performance management processes and whether they currently meet expectations of the Board and if they don't, what guidance do they provide to management.
 - c. The Boards assessment of how the organisation's executive leadership, operating model and general delivery capability is coming together.

- d. How well does the information the Board receives from the executive and clinical management support their clear understanding of progress, risks and opportunities, and what specific changes (if any) would they make?
- e. Examples where the Board may have concerns about their decisions not being acted on at all, in part only or too slowly and what steps do they take to get more visibility of the implementation of Board decisions.

Organisational Capability and Capacity

- 76. Te Whatu Ora are continuing to build their operational structure. The organisation still needs to complete its permanent operational structure to provide a national view of operations. In its absence, there continues to be challenges for us as your agent and for providers being able to effectively engage and seek information.
- 77. Continued progress on the organisation's transformation programme is critical. Te Whatu Ora needs to be communicating to its workforce regularly to outline upcoming work and to ensure staff clearly understand their roles and ways of working in the new system and that they feel supported. It is essential Te Whatu Ora have good risk management and assurance around their process and have robust mitigations in place.
- 78. Te Whatu Ora have noted they have significant challenges in standing up robust monitoring and reporting processes, due to their ongoing establishment and capability build.
- 79. It is crucial that you and Manatū Hauora as your agent, receive a greater level of detail regarding the development pathway for Te Whatu Ora. This is necessary across their establishment processes, and in specific areas such as monitoring and reporting.



Next steps

- 83. Manatū Hauora will continue to work with Te Whatu Ora to increase transparency and ensure the timeliness of information flows both through formal reporting and ongoing information sharing. This will include enhancements to reporting against accountability documents and the understanding of Board assurance processes.
- 84. The Letters of Expectations for Te Whatu Ora included a requirement for detailed implementation plans across immediate service priorities, as well as your priorities and expectations for the coming financial year. These were sent on 16 March 2023.

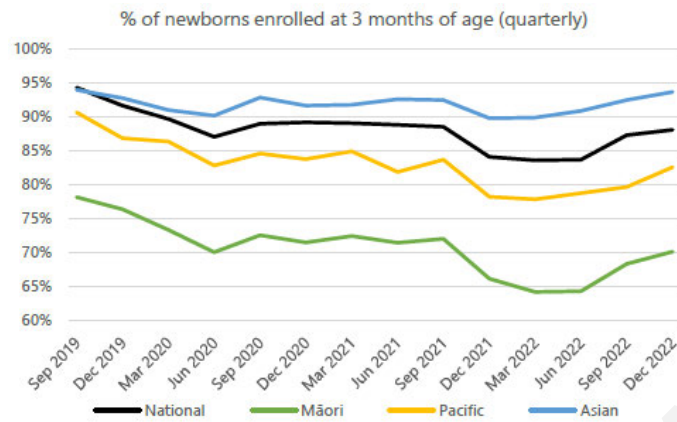
85. We will follow up with Te Whatu Ora on our assessment of their quarter 2 performance in the next progress meeting scheduled for 11 April 2023. Further progress meetings are scheduled for 12 May 2023 and 14 June 2023.
86. The Director-General is meeting with the interim Chair on 29 March 2023 and will be looking for her level of comfort in several areas including planning and delivery, internal performance management, capability, quality of information for decision making and risk.
87. Alongside the activities to strengthen our Crown entity monitoring role, we will also provide support to Te Whatu Ora to:
 - a. review and ensure robust data assurance and validation processes
 - b. continue to improve the quality of infrastructure planning and reporting
 - c. develop a more complete set of productivity measures.

ENDS.

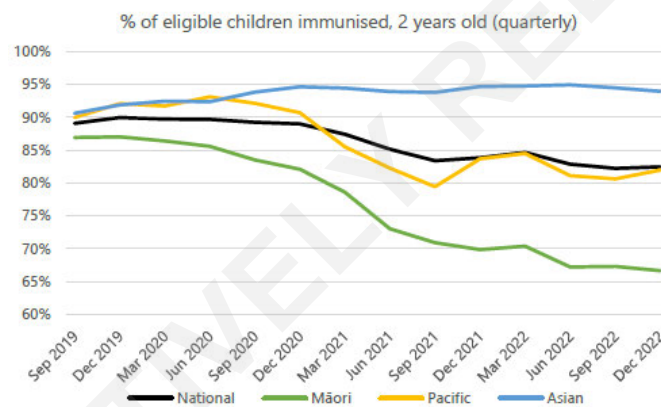
Minister's Notes

Appendix 1: Graphs

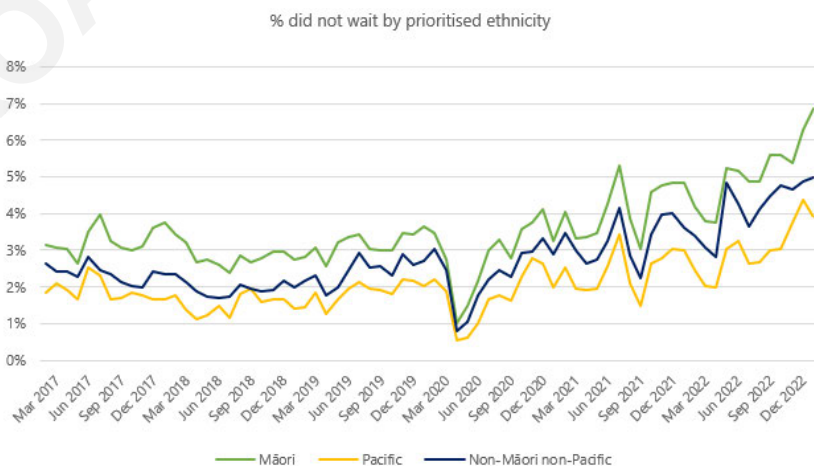
The percentage of new-born babies enrolled with a General Practice/Primary Health Organisation at three months of age is lower for Māori babies compared to the national percentage. While there has been improvement in the second half of 2022, there continues to be a wide equity gap.



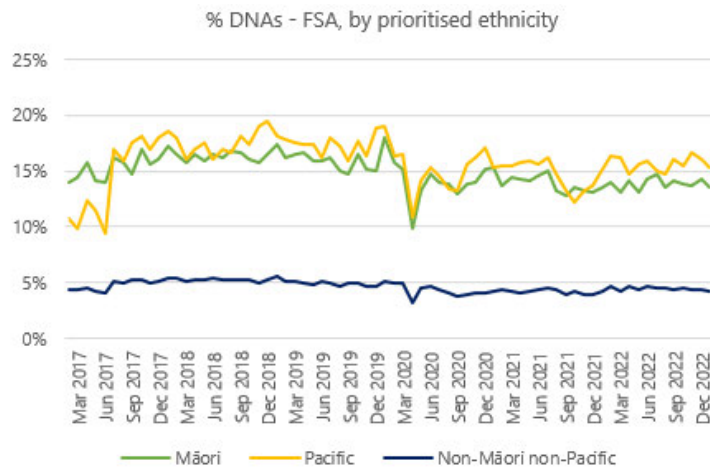
The percentage of 2-year-olds who are Māori and fully immunised has been decreasing over the past three years and there is now a large equity gap between the most immunised ethnicity group (Asian).



The percentage of Māori who presented to ED and did not wait to be seen by a doctor or nurse has been increasing and is higher than the non-Māori non-Pacific percentage. The equity gap is widening.



The percentage of Māori and Pacific who did not attend their FSA is approximately three times higher than non-Māori non-Pacific. While there has been some improvement since COVID-19, an equity gap remains.



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