Template 1: Budget Initiative template

There are five sections of this template agencies need to fill out:

- Overview and context
- Detail on the investment proposal
- Wellbeing impacts and analysis
- Cost understanding and options
- Collaboration

Overview and context

Key Question/area	Comment/answer
Agency to complete	
Portfolio of lead Minister	Hon Dr David Clark, Minister of Health
Portfolio(s) of other Ministers involved (if this is a joint initiative)	Hon Iain Lees-Galloway, Minister for ACC, Minister of Immigration, and Minister of Workplace Relations and Safety.
Votes impacted	Vote Health
Initiative title	Supporting the continued delivery of emergency ambulance services.
Initiative description	This funding will provide for price and volume pressures in emergency ambulance services, including ambulance communications centres. This funding will achieve the following: a) Address financial sustainability issues for emergency road ambulance services and ambulance communications centres while meeting the third year obligations (of a four year contract term) entered into from 1 July 2017 by the Ministry of Health and Accident Compensation Corporation. b) Maintain performance, capacity and capability of emergency ambulance services to accommodate significant year-on-year demand increases driven by aging population, socioeconomic factors, cost of clinical pathways, introduction of the dispatch protocols, and increasing long-term conditions.
Type of initiative	non-discretionary cost pressure
If this initiative relates to a priority, please outline the specific priority/ies it contributes to	This initiative aligns and supports the following priorities • Reducing child poverty and improving child wellbeing, including addressing family violence • Supporting mental wellbeing for all New Zealanders, with a special focus on under 24s • Creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy • Supporting a thriving nation in the digital age through innovation, social and economic opportunities.
Does this initiative relate to a commitment in the Coalition Agreement, Confidence and Supply Agreement, or the Speech from the Throne?	No

Agency contact	Andrew Inder (Manager Community and Ambulance, Ministry of Health, phone: (04) 816 3664) Graham Dyer (Head of Provider Service Delivery, ACC, phone: (04) 819-5151)
Responsible Vote Analyst	s 9(2)(a)

Funding

Funding Sought ($m)	2019/20	2020/21	2021/22	2022/23 & outyears	TOTAL
Operating	4.301	4.301	4.301	4.301	17.204

Funding Sought ($m)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
Capital	-	-	-	-	-	-	-	-	-	-	-

1. Executive Summary

1.1 EXECUTIVE SUMMARY	
A. Short summary of the proposed initiative and expected outcomes.	Financial sustainability issues were identified for providers (St John and Wellington Free Ambulance) in an independent review of emergency (road and communications centres) ambulance service funding (Horn, June 2016). This was as a result of historically unfunded cost and volume pressures. With the agreement of Cabinet[1], funding arrangements, which include annual cost and volume adjustors, were implemented from 1 July 2017 as part of a four year agreement to address these issues. This 2019/20 pressures bid is year three of the four year arrangement. This pressure funding will achieve the following: a) Address financial sustainability issues for emergency road ambulance services and ambulance communications centres. At the same time, it will meet the third year obligations (of a four year contract term) entered into from 1 July 2017 by the Ministry of Health and Accident Compensation Corporation. b) Maintain performance, capacity, and capability of emergency ambulance services to accommodate significant year-on-year demand increases driven by aging population, socioeconomic factors, clinical pathways, introduction of the dispatch protocols, and an increasing number of people with long-term conditions.

2. The Investment Proposal

2.1 Description of the initiative and problem definition	
What is this initiative seeking funding for?	This cost pressure bid allows emergency ambulance services (and communications centres) to address sustainability issues while maintaining their existing capacity and performance levels, accommodating the cost and volume pressures they face. The funding will: • Ensure adequate capacity and performance is maintained, given the increased cost and volume pressures (including cost resulting from the full crewing initiative which increased FTE and widened base costs but did not account for out-year pressure growth).

[1] Reference: 'Report on Emergency Road Ambulance Services (November 2016)' [CAB-16-MIN-0682 and CAB-SUB-0687])

	• Stop the behaviour where providers continually seek additional funding or find themselves in a deficit financial position knowing they are too big to fail. • Maintain Information and Communications Technology (ICT) Infrastructure investment which decreases the risk of critical emergency ambulance ICT infrastructure failure. • Ensure the Ministry of Health is able to meet its contractual obligations to fund volumes and maintain current capacity and capability of these services. • Ensure the continuation of the emergency air ambulance services (a critical component of the system). • Maintain public confidence in the continuity of access to the health system and emergency ambulance services, regardless of accessibility for both business as usual and civil emergency scenarios (eg, Kaikoura earthquake). This initiative has alignment with the following Wellbeing priorities: • Reducing child poverty and improving child wellbeing, including addressing family violence and; • Supporting mental wellbeing for all New Zealanders, with a special focus on under 24s - Frequently ambulance services respond to incidents in people's homes where mental health or family violence issues are prevalent. During these interactions associated with Mental Health, vulnerable children, and family violence, paramedics provide care, identify and make referrals relating to a patients, or their whanau's, safety and wellbeing. Mental Health related responses have increased 7.54 percent in the 2017/18 year. - Ambulance providers are the primary 'on-scene' health response to many drug related incidents, including synthetic substance abuse. A growing problem with over 13,500 ambulance responses in 2017/18. • Creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy; - As a frontline emergency service, paramedics are a vital first response. They provide medical care and support to New Zealand communities and businesses especially in remote and rural locations. - The ambulance service has implemented new staging plans to improve efficient fleet use, improve staging points closer to response locations and increased use of telehealth and other non-transport options. • Supporting a thriving nation in the digital age through innovation, social and economic opportunities - Critical ICT infrastructure maintained for the Ambulance 111 systems supports New Zealand's capacity and capability to respond quickly and effectively in civil emergency scenarios such as the Kaikoura earthquake.

Why is it required?	Emergency road ambulance services and ambulance communications services are an essential part of the New Zealand health system, providing pre-hospital services for New Zealanders with life-threatening and urgent conditions. Ambulance communications centres receive approximately 550,000 '111' calls and another 200,000 calls on a non-urgent line (used by health professionals) each year. Ambulance service demand has been increasing by an average of 4.25 percent per annum over the past 3 years despite providers making changes to optimise their operating models to manage incidents in low cost ways (see 2.2). Providers are contractually required to absorb 1.5 percent of demand growth annually however they cannot absorb the full cost of demand growth at current levels. Financial sustainability issues were identified in an independent review of emergency road ambulance service funding (Horn, June 2016). Monitoring of St John and Wellington Free Ambulance In 2017/18 shows while they continue to manage their operating deficit positions the financial challenges identified still remain. Funding arrangements, which include annual cost and volume adjustors, to address these issues were implemented as part of a four year agreement for Emergency Ambulance Services from 1 July 2017 with the agreement of Cabinet (see attached 'Report on Emergency Road Ambulance Services (November 2016)' [CAB-16-MIN-0682 and CAB-SUB-0687]). Emergency road ambulance services are facing cost and volume pressures for a number of reasons. • Emergency road ambulance services have been experiencing average demand increases of around 4.25 percent per annum. While ambulance services are responding to demand increases by changing their model of care (from typically responding to every call with an emergency ambulance to providing the most appropriate response based on an individual's need, e.g. national telehealth service), providers cannot continue to absorb the real cost of demand growth. Sapere Research Group advised that this growth is primarily driven by an aging population and socioeconomic factors. Sapere predicts St John's annual demand growth will reach nearly 5 percent from 2021 to 2026 as the population ages further. • While new clinical pathways, such as for stroke or spinal cord impairment reduce overall health burden, they are a driver of increasing volume for ambulance services. These pathways require ambulance services to contribute to better patient outcomes through faster response times, more advanced clinical skills, use of expensive drugs, and getting patients to the right place the first time. This contributes to pressure. • Significant cost increases due to rising fuel costs, reducing volunteerism, changes to collective employment agreements, and increasing training to reflect increasing skill requirements of a professionalised workforce. • The increase in synthetic substance abuse incidents and mental health incidents have resulted in an increase to job cycle time and frequently place increased health and safety risks on the paramedic staff. In order to prevent this negatively impacting on ambulance performance, particularly in the larger urban areas, emergency ambulance services have introduced additional resource to maintain response capability, performance, and ensure paramedic safety. The outcomes, if not funded, are: • **Slower response times**. Providers will be unable to maintain performance levels resulting in slower responses which will impact adversely on patient outcomes. • **Increased cost shifting** to other allied health services and emergency departments (EDs). As service responsiveness decreases, the ability to divert patients from ED degrades. Patients are then more likely to self-present to ED rather than wait for an ambulance response. • **Increase pressure on other emergency service responses**. Capacity reductions with slower response performance by road ambulance services would likely result in increased use of helicopter services, PRIME[2], and Fire Service at the Government's expense.

[2] The Primary Response in Medical Emergency (PRIME) service uses rural doctors and nurses to respond to support emergency road ambulance services.

	• **Increase Community Fundraising and/or Part Charges**. • **Lessen the quality and safety of ambulance services.** If not funded, to maintain response performance, the providers may reduce cost by lowering the skill-mix of qualified staff increasing the risk to patients. • **Jeopardise time sensitive clinical pathways** such as for ST Elevated Myocardial Infarction (STEMI) that rely on skilled paramedic staff being able to use an electrocardiogram (ECG) to confirm a STEMI at the scene and then, if the patient cannot be transported to an appropriate catheterization lab within 60 minutes, administer clot busting drugs before transport to definitive care. • **Increased provider sustainability issues**. Without the agreed funding the providers would risk carrying unsustainable deficits as the Government meets only 74 percent of the ambulance service operation costs, 26% arising from community donations, fundraising and user part charges. • **Increase risk of critical national infrastructure (the ambulance 111 system) failure.** The Information and Communications Technology (ICT) infrastructure is a vital component in the emergency response and this requires consistent investment to maintain. Not funding cost and volume growth would make delaying investment in maintaining ICT infrastructure a likely outcome. Prior to introduction of the 2017 arrangements, and increased funder focus on this area, the system experienced significant reliability issues.
2.2 Options analysis and fit with existing activity	
What other options were considered in addressing the problem or opportunity?	The target population is New Zealand as a whole including visitors to New Zealand who interact with the 111 emergency ambulance system (subject to ACC legislation and the New Zealand Eligibility Direction). Addressing demand growth is inherently linked to our overall ability to maintain a sustainable emergency ambulance system. • Continue funding at the current level with no increase. This was tried in in 2014 and failed. The 2016 Horn report confirmed the need for annual cost and volume pressure adjustments to ensure sustainability. • Renegotiate a new agreement that does not require annual adjustment relating to cost and volume pressures. It is likely that providers would include the expected cost and volume risks in their negotiated price. As a near-monopoly supplier in New Zealand, St John would be in a very strong negotiating position. This would almost certainly result in a cost higher than would be achieved under the current agreement. • **The preferred option** (to fund the contracted annual cost and volume pressure related increases) is based on the independent report finding that, despite providers making significant improvements in their operating models, they cannot absorb the full cost of demand increases. The report recommended a new funding pathway that providers can reasonably expected to manage within. This is seen as the best option as the arrangement addresses actual cost and volume pressures (minus an efficiency factor of 1.5 percent), supports the maintenance of performance, capability, capacity and resilience.
What other similar initiatives or services are currently being delivered?	St John and Wellington Free Ambulance are the only significant Emergency Ambulance Service Providers in New Zealand and operate as a duopoly. There are other small scale, patient transfers and event ambulance service providers without the ability to scale up.
What other, non-spending arrangements in pursuit of the same objective are also in place, or have been proposed?	The Ministry and ACC have engaged with the emergency ambulance service providers to develop effective cost and demand containment measures. It is noted when considering alternatives that emergency ambulance service providers are already taking steps to manage incidents in low cost ways. Examples are:

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- Using national telehealth (Homecare Medical) nurses and intensive care paramedics to manage calls through a clinical hub service avoids dispatching an ambulance. This was introduced in 2017. In the July 2018 – September 2018 quarter this service triaged 13 percent of incidents (approximately 15,000 calls per quarter) through the system, avoiding ambulance dispatch in approximately 42 percent of these cases.
- PRIME (service where Rural GP and Nurses with extra training support emergency ambulance responses).
- St John undertook a cost savings programme in 2017 (refer HR201602923): St John sought to achieve an annual savings of $5.5m which would be reinvested to emergency ambulance operations and deficit reduction. Based on St John advice, this work reduced their deficit from a forecast of $12m – $15m to a reported deficit of $7m.
- Part charge increase: The 2017/18 change to the part charge from $88 to $98 was expected to provide an additional $1.07m per annum as part of the annual $20.4m St John raises from its part charges and supporters scheme. Unfortunately the actual increase has been consistently lower due to higher than forecast rates of non-payment.
- Service model redesign including the introduction of Emergency Medical Assistant, a lower skilled and cost role that supports the paramedic in their duties.
- Introduction of the electronic Patient Record Form (ePRF) allowing improved interrogation of service data to better support service model design, ambulance deployment planning and clinical quality audits.
- Reprioritised response priorities to better reflect the acuity of patients and increase accurate dispatch. This more efficient crew management means more crews available for high acuity patients to receive the right care faster.
- St John has invested significantly in maintaining frontline volunteer ambulance staff (3233 people as at September 2018). While there is a cost to maintain this voluntary workforce (mileage, training, meal allowances), St John estimates this annually saves approximately $15m direct costs and significantly more if benefits to the wider economy were considered.
- Exploring further opportunities to leverage capacity and capability of fire services – St John and Fire and Emergency New Zealand (FENZ) are exploring ways to expand the existing memorandum of understanding, which sees FENZ respond to around 7,000 incidents each year to support ambulance services:

- The FENZ ‘co-response’ scheme has staff trained in first aid so all fire appliances can co-respond to immediately life-threatening incidents (to all cardiac or respiratory arrests).
- The ‘first responder’ scheme has around 60 FENZ brigades in rural areas trained by St John to the First Responder level (higher than first aid) where, if closer than an ambulance, they respond to a broader range of incidents (and provide higher level of care) than that of the FENZ co-response scheme – there could be an increase in first responder brigades, potentially expanded to include all fire appliances
- FENZ could establish an extended first responder role for its volunteers in low workload areas to responds to less urgent calls – there would be no requirement for a specialist vehicle other than it needing both a FENZ and St John radio and St John would provide clinical training and support.

While these initiatives have been successful in reducing some cost, price and volume funding increases are required to maintain current levels of service performance and capability.

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Strategic alignment and Government’s priorities/direction

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The Alignment to the Budget 2019 Wellbeing Priorities are outlined in 2.1

Emergency ambulance providers also demonstrate alignment to the Government Priorities:

- **Building closer partnerships with Māori**
    - St John employs fluent Te Reo Māori educators to travel around the country to Māori-medium education providers, kura kaupapa and kōhanga reo to co-design tailored St John courses.

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	- St John provides ten rurally isolated marae across the East Coast of the North Island with Automated External Defibrillators (AEDs), as part of a project to reduce the number of cardiac arrest fatalities associated with Māori. This follows 28 that have already been distributed across the country since 2015. • **Supporting healthier, safer and more connected communities.** - St John and Wellington Free Ambulance both undertake significant community outreach and volunteer based programmes such as the recent partnership between St John and Dignity NZ, helping to provide sanitary products to St John staff and to over 1,700 female students at eight high schools across the South Island. • **Ensure everyone who is able is earning, learning, caring, or volunteering.** - Ambulance services teach CPR and first aid training in schools. So far 77,000 children have taken part and over 30,000 children taught CPR aiming to deliver the programme to 480,000 school children in New Zealand over the next five years - More than 7500 six to 18 year olds participate in the St John Youth programme which provides a safe, secure and fun environment where young people can learn first aid, health care, self-discipline, and general life skills. - St John have over 9000 volunteers and utilise 3233 frontline ambulance volunteer staff. Developments in the sector are guided by the **New Zealand Health Strategy**, **ACC Statement of Intent,** and **Ambulance Services Strategy**. Examples of the **New Zealand Health Strategy**: • The '**closer to home'** theme to improve user experience and efficient use of health resources; - The emergency ambulance model of care has changed from typically responding to every call with an emergency ambulance and transporting to hospital, to providing an appropriate response based on an individual's need. - using national telehealth service nurses to provide advice over the telephone for appropriate non-urgent calls so an ambulance is not sent to the scene; and - Providing care at the scene so transport to hospital is not required. - Ambulance services support reducing DHB regional capability and access equity differences. This is particularly apparent in rural and remote areas for timely access to health services. • The '**value and high performance'** theme which strives for improved and more equitable health outcomes. - The development of national destination pathways, such as for patients with stroke or myocardial infarctions (heart attack), requires ambulance services to contribute to better patient outcomes through: faster response times, more advanced clinical skills, and getting patients to the right place the first time (often bypassing the nearest hospital by road and air).
2.3 Outcomes	
Overall outcomes expected from this initiative	• A financially sustainable and resilient emergency road ambulance service, and ambulance communications service. • Maintain performance, capacity, and capability of emergency ambulance services to accommodate significant year-on-year demand increases. • Maintain quality of care including lives saved (e.g response times are key to positive outcomes incidents such as STEMI or Cardiac arrest). • Optimal use of ambulance resources appropriate to patient need, reducing overall cost to the health system. • Meeting the third year contractual obligations (of a four year contract term) entered into in July 2017 by the Ministry of Health and Accident Compensation Corporation.

2.4 Implementation, Monitoring and Evaluation[3]	
How will the initiative be delivered?	This is an existing service and no new market approaches for implementation are required. The contractual funding arrangement for emergency road ambulance services and ambulance communications centres was introduced in July 2017 and runs through to end of June 2021. The arrangement requires a bid each year for additional funding to ensure adequate capacity and capability to respond to emergencies, based on demand and cost growth. • The National Ambulance Sector Office within the Ministry of Health manages the annual variation, executed as a joint contract, with support from ACC. • The funding has been allocated between ACC and the Ministry through agreement based on utilisation and legislative requirements. These agreed parameters have been notified through previous governance and cabinet papers. • This is a four year contract which was executed from 1 July 2017 through to 30 June 2021. • No additional capability and capacity is required within agencies to deliver on this this initiative. • Both providers have developed detailed deployment plans that are regularly updated. The Ministry of Health and ACC work closely with these providers ensure they have the capacity to maintain service quality. There are no implementation milestones related to cost and volume pressure as this is an existing service.
How will the implementation of the initiative be monitored?	The initiative is aimed at maintaining current performance against significant annual cost and volume pressure. ACC and the Ministry of Health provide an annual Letter of Expectations highlighting government priorities and includes key projects and areas of focus for the coming year. Providers performance is monitored monthly and quarterly including: • road ambulance service response times • ambulance communication service response times • current issues and risks. Serious and Sentinel event reporting is provided to the National Ambulance Sector Office[4] (NASO) and Health and Quality Safety Commission (HQSC) for regular review.
Describe how the initiative will be evaluated	Not applicable. No formal evaluation is planned however the service performance will be closely monitored as above.

3. Wellbeing Impacts and Analysis

3.1 Wellbeing domains – People's experience of wellbeing over time	
Identify and quantify how the initiative impacts on wellbeing domains	Please fill in Table 3.1 below. Impacts need to be grouped under the relevant domains, as provided in the key below. Use the relevant domains, ordering them from top to bottom according to which domain your initiative achieves the greatest impact in. This analysis must also capture any negative impacts. The wellbeing domains are outlined here for you to use in your table:

[3] This doesn't necessarily have to include a full implementation and evaluation plan, however the information provided must provide confidence that the proposal will be successfully delivered and there is a plan to ensure that the outcomes described are actually achieved.

[4] NASO is the joint business unit for the Ministry of Health and ACC which manages the relationship with the emergency ambulance sector.

	Civic engagement and governance	Jobs and earnings
	Cultural identity	Knowledge and skills
	Environment	Safety
	Health	Social connections
	Housing	Subjective wellbeing
	Income and consumption	Time-use
		Other

3.1 Wellbeing domains – People's experience of wellbeing over time

Domains List domains, using the key above, where there is an impact. Order domains by magnitude of impact, i.e. largest impact domain first.	**Impact(s) description** Identify the impacts, with a separate line for each impact relating to a specific domain *Note you can identify multiple impacts for a particular domain. Delete/add rows as needed.*	**Who are affected?** Individuals/families/government/etc? Be as specific as possible. Are there distributional differences?	**Magnitude of impact** Relative to the counterfactual key assumptions, quantified to extent possible, and where possible monetised	**How big?** High/ Moderate/ Low, or where possible present value	**Realised in** <5 / 5-10 / 10+ years	**Evidence base** Service reporting for Emergency Ambulance incidents by triage priority against transport to Hospital	**Evidence quality** High/ Medium/ Low
Health Primary	QALY gains to Out of hospital Cardiac arrest report.	People who receive emergency response to a life threatening incident.	12 percent of 1792 people annually (people who meet the Out of Hospital Cardiac Arrest (OHCA) criteria) are alive at 30 days from hospital discharge – improvement of an average of 15 QALY per person.	Moderate	<5 years ongoing	http://www.stjohn.org.nz/News--Info/News-Articles/out-of-hospital-cardiac-arrest-registry--annual-report-201617/	High
	Reduced ED attendances	People who call 111 emergency ambulance service, and district health boards	Ambulance services reduce ED attendances by 21.1 percent through redirection, treatment at the scene, and clinical telephone advice.	Moderate	<5 years ongoing	Providers monthly and quarterly performance reporting.	Medium
Jobs and earnings Secondary	Avoided lost work and productivity	New Zealanders with STEMI	The international evidence indicates that the 1 year mortality is reduced by 30 percent for those receiving early and appropriate pre hospital treatment by the ambulance service	Moderate	<5 years ongoing	Business case for out-of-hospital fibrinolysis for patients with ST-Elevation Myocardial Infarction	High
Income and consumption	Reduced government benefit burden and increased return to work rates.	Individuals and Government	Reducing or avoiding significant and long term impairment costs. i.e time critical intervention following stroke is key to minimising loss of function. There is the potential for up to 25 percent chance for reduction, or avoidance of impairment (short and long term), for life threatening incidents, reducing the governments benefit burden and increasing the return to work rate.	Moderate	<5 years ongoing	Ambulance service electronic Patient Record Form (ePRF) incident and intervention data.	Medium

3.2 Wellbeing capitals – Sustainability for future wellbeing	
Wellbeing capitals	Please fill out the table below to demonstrate how your initiative may contribute positively, negatively or neutrally to the four capitals.

Capitals	Describe the impact and its magnitude	Realised in <5 / 5-10 / 10+ years
Financial/Physical	**Increase** This initiative supports ambulance services to increase critical infrastructure to respond quickly and effectively in civil emergency scenarios (eg, Kaikoura earthquake). This minimises loss of life and supports a return to normalcy as quickly as possible.	<5 years as the cost is immediate
Human	**Increase** This initiative increases performance, capacity and capability of emergency ambulance services to ensure people receive the appropriate care when they need it.	<5 years as the cost is immediate
Natural	**Maintain** This initiative has no impact on natural capital.	N/A, as no impact
Social	**Increase** This initiative increases ambulance services capacity and capability to improve individual health and wellbeing.	>5 years as the cost is immediate

3.3 Risk and resilience narrative	
Does the initiative respond to or build resilience?	Yes, the funding supports emergency ambulance providers to maintain their ICT infrastructure as a core component of the response to New Zealanders health emergencies; and maintain capacity and capability to respond as required in the National Civil Defence Emergency Management Plan in a civil emergency scenario (example Kaikoura earthquake).

4. Costing understanding and options

4.1 Detailed funding breakdown

Please provide a breakdown of the costs of this initiative

The Ministry is seeking an increase to baseline in the 2019/20 year of $4.301m.

This has been calculated based on the contractual formula agreed with ambulance providers in 2017 as part of a four year deal and is based on the actual volume change (calculated in arrears from the previous calendar year).

This total has been split based on an assumed distribution of 75 percent Personnel and 25 percent Non-Personnel costs.

($m)	2019/20	2020/21	2021/22	2022/23 and outyears	4 year total
Personnel	3.226	3.226	3.226	3.226	12.904
Non personnel	1.075	1.075	1.075	1.075	4.300
Total	4.301	4.301	4.301	4.301	17.204

The changes are calculated annually using agreed appropriate weighted factors. Price is calculated by the annual change in LCI - all salary and wages - Health care and social assistance, and the Producer Price Index - Inputs - Health weighted as set out in the table below.

Price Formula (example)

Index	Weight	Movement
LCI - all salary and wages - Health care and social assistance - June 2017	75%	1.53%
Producer Price Index - Inputs - Health - June 2017	25%	2.37%
Total price adjustment	100%	1.74%

Emergency Road Ambulance services calculations are based on annual change in unique incidents. Communications Services use the annual change in 111 ambulance call volumes. Both are reduced by a 1.5% efficiency gain factor.

Demand Formula (example)

Index	St John Road	St John Comms
Percentage change in the total number of unique incidents	3.31%	6.21%
Less 1.5% for efficiency gain	1.50%	1.50%
Total	1.81%	4.71%

These percentages are then applied to the previous year's funding to determine the increases to be applied. This means there is a delayed impact from changes such as Nurses pay settlement which pushes it outside the scope of the current agreement.

4.2 Options for scaling and phasing

Scaling, phasing or deferring - including 75% and 50% scenarios	Scaling, phasing and deferring would be difficult to achieve The Ministry and ACC have a contractual obligation to provide cost and volume increases annually. Applying scaling or deferral of funding contrary to the contractually agreed formula for price and volume changes would result in a degradation of ambulance services ability to deliver timely and effective responses to life threatening and urgent responses. Additionally it would be difficult for charitable organisations to maintain and improve Information and Communications Technology Infrastructure which increases the risk of critical national infrastructure (the ambulance 111 system) failure. ACC has already approved the funding through their board and would therefore commit the funding as per the contract process. This would potentially create risk to the collaborative relationship of ACC and the Ministry of Health and joint the contracting process. This could also be interpreted as cost shifting to ACC which is not allowed under the ACC legislation.

5. Collaboration

5.1 Collaboration and evidence	
What type of cross-agency and/or cross-portfolio initiative is this?	The Ministry of Health and ACC are jointly responsibility for the provision, and funding, of emergency ambulance services.
Agencies and Ministers that have been engaged in initiative development	The development of the four year agreement for Emergency Ambulance Services from 1 July 2017, included engagement with: • The Treasury; Ministry of Business, Innovation and Employment (MBIE); Department of Internal Affairs (DIA); New Zealand Fire Service - now Fire and Emergency New Zealand (FENZ).
Impact of cross-agency collaboration	NASO is a business unit jointly funded and governed by the Ministry of Health and the Accident Compensation Corporation. It was established in September 2008 to: • progress the New Zealand Ambulance Service Strategy • provide a single voice for the Crown on strategic and operational matters regarding emergency ambulance services • manage and monitor funding and contracts from both parent agencies related to the delivery of emergency ambulance services.
Risks and challenges	The highest risk related to this cost and volume pressure initiative is the potential for cost shifting from Vote Health to Vote ACC if this initiative is not funded as ACC has already approved their funding.