

Health Report

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DHB Funding Allocations as at Budget 2019

Date due to MO: 22 May 2019 Action required by: 27 May 2019

Security level: Budget Sensitive Health Report number: 20190818

To: Hon Dr David Clark, Minister of Health

Contact for telephone discussion

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Action for Private Secretaries

Return the signed report to the Ministry of Health.

Date dispatched to MO:

DHB Funding Allocations as at Budget 2019

Purpose of report

This report responds to your request for a summary of the confirmed 2019/20 funding allocations for District Health Boards (DHBs) as at Budget 2019.

Key points

- The Ministry of Health (the Ministry) intend to provide DHBs with confirmed 2019/20 funding allocations, 31 May 2019, following Budget 2019 announcements. This advice will be based on the confirmed Budget 2019 increase to DHBs funding of \$579 million (\$569 million for demographics, wages and price pressures and \$10 million to support an increase to the Combined Pharmaceutical Budget).
- The allocations have been calculated using the standard methodology as outlined in HR20190521 and HR20190690.
- The table below shows each DHB's confirmed funding allocation to be advised compared to the Indicative Funding Guidance issued in February 2019 and DHBs funding allocations as at Budget 2018.

Table One (\$millions)

DHB	Total 2018/19 Funding Advice: \$549m (Confirmed at Budget 18)	2019/20 Funding Guidance: \$549m (Indicative Funding Guidance)	Total 2019/20 Funding Advice: \$579m (Confirmed at Budget 19)
Auckland	1,318.56	1,388.56	1,391.50
Bay of Plenty	723.32	759.72	762.44
Canterbury	1,413.67	1,496.87	1,500.12
Capital & Coast	764.35	809.14	817.66
Counties Manukau	1,437.66	1,520.61	1,524.37
Hawkes Bay	496.43	522.09	524.15
Hutt	396.52	413.65	416.81
Lakes	325.66	339.66	340.40
MidCentral	510.87	538.72	540.77
Nelson Marlborough	437.12	459.22	462.22
Northland	598.38	629.15	632.07
South Canterbury	181.14	189.64	190.05
Southern	874.99	922.71	926.80
Tairāwhiti	165.00	171.45	171.97
Taranaki	344.65	358.39	362.10
Waikato	1,195.89	1,260.20	1,262.90
Wairarapa	139.80	148.78	149.10
Waitemata	1,529.34	1,617.69	1,622.11
West Coast	130.51	135.26	135.74
Whanganui	224.79	233.41	234.32
Total:	13,208.66	13,914.90	13,967.58

- Please note that the variance in Table One, between total funding in the final allocations and the IFG includes, an additional \$22.7 million related to capital charge revaluations over and above the \$30 million additional growth and increase in the combined pharmaceutical budget provided in Budget 2019.
- The table below shows each DHB's respective funding increase to be advised, compared to the Indicative Funding Guidance issued in February 2019. The \$22.7 million related to capital charge revaluations is not included in the increase figures as it was approved in the March Baseline Update to appropriations.

Table Two (\$millions)

DHB	2019/20 Increase: \$549 (Indicative Funding Guidance)	2019/20 Increase: Budget 19 Confirmed Additional Support	2019/20 Increase: Funding for increase to the Combined Pharmaceutical Budget
Auckland	51.24	53.23	0.95
Bay of Plenty	29.35	30.45	0.56
Canterbury	62.61	64.77	1.08
Capital & Coast	33.12	34.28	0.57
Counties Manukau	69.57	71.76	1.10
Hawkes Bay	19.66	20.41	0.38
Hutt	12.51	13.09	0.30
Lakes	10.90	11.39	0.25
MidCentral	21.89	22.68	0.40
Nelson Marlborough	17.90	18.57	0.34
Northland	24.91	25.83	0.46
South Canterbury	6.40	6.68	0.14
Southern	36.53	37.87	0.68
Tairāwhiti	4.86	5.10	0.13
Taranaki	10.29	10.79	0.26
Waikato	47.92	49.73	0.90
Wairarapa	7.64	7.85	0.11
Waitemata	72.73	75.06	1.14
West Coast	2.81	2.98	0.09
Whanganui	6.16	6.48	0.16
Total:	549.00	569.00	10.00

- As per HR20190521 there is some appropriated Funding that will not be allocated to DHBs from 1 July. A table is included as appendix one, which reconciles the funding allocations to be advised to DHBs for 2019/20 in table one, to the DHB appropriations included in the Budget 2019 Estimates of Appropriations.
- The Ministry are currently preparing the advice to be sent to DHBs alongside their confirmed funding allocations for 2019/20. A draft of the letter less appendices has been attached as appendix two for your reference.

Recommendations

The Ministry recommends that you:

- a) **Agree** that the Ministry of Health release updated Funding Advice to DHBs **Yes/No**
31 May 2019, after Budget 2019 announcements.
- b) **Note** that the Ministry of Health is currently preparing the advice to accompany the funding allocations highlighted in this report and a copy of the draft is attached as appendix two for your reference.



Michelle Arrowsmith
Deputy Director General
DHB Performance Support and Infrastructure
Date:

Hon Dr David Clark
Minster of Health
Date:

Appendix One

The table below reconciles the funding allocations to be advised to DHBs in 2019/20 with the Budget 2019 Estimates of Appropriations. The rationale for excluding the additional appropriated funding outlined in the table below is explained in HR HR20190521

Table Three (\$millions)

DHB	Total 2019/20 Devolved Funding - Budget 2019	Debt to Equity funding	Funding to accommodate rounding in the appropriations	Total 2019/20 DHB Appropriation - Budget 2019
Auckland	1,391.50	0.00	-0.01	1,391.48
Bay of Plenty	762.44	0.00	0.01	762.45
Canterbury	1,500.12	10.58	0.00	1,510.69
Capital & Coast	817.66	0.00	0.02	817.68
Counties Manukau	1,524.37	0.00	-0.01	1,524.35
Hawkes Bay	524.15	0.00	0.02	524.17
Hutt	416.81	0.00	0.02	416.84
Lakes	340.40	0.00	0.01	340.41
MidCentral	540.77	0.00	0.02	540.79
Nelson Marlborough	462.22	0.00	0.01	462.23
Northland	632.07	0.00	0.01	632.08
South Canterbury	190.05	0.00	0.01	190.07
Southern	926.80	0.00	0.03	926.83
Tairāwhiti	171.97	0.00	0.01	171.98
Taranaki	362.10	0.00	0.01	362.11
Waikato	1,262.90	0.00	0.01	1,262.91
Wairarapa	149.10	0.00	0.01	149.11
Waitemata	1,622.11	0.00	-0.03	1,622.08
West Coast	135.74	1.92	0.01	137.67
Whanganui	234.32	0.00	0.02	234.34
Total	13,967.58	12.50	0.19	13,980.27

XXXXXXXXXX
Chief Executive
XXXXXXXXX District Health Board
Type e-mail address here

Tēnā koe CE's first name

XXXXXXXXX District Health Board (DHB) Funding Advice for 2019/20

This letter and attachments provide you with updated detailed funding advice for 2019/20 that incorporates Budget 2019 decisions. This advice supersedes the advice contained in your Indicative Funding Guidance (IFG) for 2019/20.

Budget 2019

Yesterday, the Government released Budget 2019, The Wellbeing Budget, which includes significant investment to support improvements in equitable access to services. This commitment to improving the wellbeing of New Zealanders has resulted in a number of dedicated Budget initiatives for the health sector. We need to focus on using this investment as best we can to support the identified priorities.

Budget 2019 has provided an additional \$695 million for District Health Boards (DHBs) in 2019/20, which consists of:

- \$116 million for the NZNO Nurses, PSA Nurses and PSA Allied Multi Employment Collective Agreements
- \$569 million for demographic, wage and cost pressures
- \$10 million to support an increase in the Combined Pharmaceutical Budget.

In addition to the \$695 million being provided to DHBs, a further appropriation of \$23.7 million has been allocated in Budget 2019 to support initiatives focussed on building clinical, operational, and financial DHB sustainability. This funding has not been appropriated to individual DHBs at this stage. The Ministry of Health (the Ministry) is engaging with our Treasury colleagues to provide joint advice to the Ministers of Health and Finance on options for how funding is to be optimised. Our Strategic Roundtable discussions with you will provide useful insights into this. We will provide further advice on this in due course.

NZNO and PSA MECA settlements

The MECA settlements relating to the NZNO Nurses, PSA Nurses and PSA Allied were finalised and agreed in 2018/19. Agreed funding related to these settlements has been included in your 2019/20 baseline funding as per your IFG. This funding has been allocated via Top Slice and includes a further \$28 million for the NZNO MECA (drawn down from Budget 2018 contingency) in addition to the \$116 million provided in Budget 2019.

Funding for the recent settlements for the Midwives (MERAS) MECA, and Clerical and Administration Worker MECA is not included in this advice. Ratification of the MERAS and the Northern Region and Lower North island Clerical settlements occurred after the Budget moratorium, and therefore Ministers are unable to confirm additional funding changes to baselines until after Budget day. We will provide further information on adjusted funding profiles in 2019/20 rising from these once baseline changes has been confirmed.

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DHB Population Funding

DHB population funding has increased by \$569 million and has been allocated based on the Population Based Funding Formula (PBFF) using the standard methodology. Please refer to Appendix One for individual DHB results and Appendix Two for full technical details, including further information on Top Slices, Inter District Flows (IDF) and Pricing, Pharmaceutical Budget Initiatives, National Services, Capital adjustments and School Based Health Services.

There is no change in PBFF shares when compared to the IFG, however with additional population funding increasing from \$549 million in the IFG to \$569 million the applied minimum and maximum funding increases have also increased to 1.92 percent and 6.70 percent respectively. With these parameters, no DHB has a funding increase below the minimum, and no DHB will be capped at the maximum.

Pharmaceutical Budget Initiatives

Additional Pharmaceutical funding from Budget 2016 and Budget 2017 has been reflected against each DHB's funding baseline, along with the expected savings from the expansion of the PHARMAC model to manage hospital medicines (Budget 2018). Please note that these allocations have changed in 2019/20 compared to 2018/19 (as previously signalled). Details of the funding changes can be found in the tab "Additional Pharms Initiatives" in the attached workbook.

The additional \$10 million funding from Budget 2019 has been provided to contribute to an increase in the Combined Pharmaceutical Budget. This has been set up initially as top sliced funding allocated on a PBFF basis and will move into the population funding pool for 2020/21.

Inter District Flows

As per my email on 16 May 2019, IDFs for 2019/20 have been updated for new prices and cost pressure increases where appropriate. Summary IDFs are included in the attached workbook and detailed forecasts are available via the DHB funding Quickr website.

Planned Care Funding

Information on the refreshed strategic approach to Planned Care will be provided next week. This updated approach considers health care in the context of patient outcomes and needs, regardless of the setting and will include detailed funding advice.

If you have any queries in the interim please send them to Loren Shand at Loren.Shand@health.govt.nz

Care and Support Workers Pay Equity Funding / In Between Travel (IBT)

DHBs and the Ministry are working through the financial and service implications of devolving funding of Pay Equity for 2019/20. At this point in time, final confirmation on the funding allocation for Pay Equity devolvement in 2019/20 is yet to be made. As a result, funding allocations remain excluded from DHB funding advice for 2019/20. Further advice will be provided by the Ministry in due course, but if you have any queries in the interim please send them to: payequity.implementation@health.govt.nz

The timing of the devolution of in-between travel funding will continue to be discussed with the sector and at this stage funding allocations remain unchanged for that initiative.

National Services (Auckland DHB only – nothing else for other DHBs in the actual letter)

Funding for the National Intestinal Failure Service, previously contracted to you has been incorporated into your National Services Top Slice from 2019/20. The agreement for this service expires on 30 June 2019 and will therefore not be renewed. Minimum service expectations will be included in the Service Coverage Schedule (refer to 25 Jan 2019 letter sent to you).

There are four services that receive additional funding over and above the Top Slice, through IDF programme funding. We are signalling our intention to transition funding for three of these Services (Paediatric and Adult Congenital Cardiac, Clinical Genetics and Perinatal Pathology) to top slice in 2020/21. We will assess whether to transition the Paediatric and Adult Metabolic Service programme funding to National Service top slice later this year, based on whether recruitment has occurred.

Mental Health Ring Fence

The Mental Health Ring Fence expectation for 2019/20 has been calculated according to the same criteria as in 2018/19, by applying demographics and cost pressure adjustments to underlying expenditure. It should be noted that these figures do not include any allowance for Pay Equity, as the funding amounts for each DHB are yet to be determined

for 2019/20. Once these are agreed, the Ministry will issue revised Ring Fence expectations that take account of that change. The start point, uplift, and provisional expectation for your 2019/20 ring fence can be found in the table below.

DHB	Start Point for 2019/20 Ring Fence Expectation (\$millions)	Uplift (\$millions)	2019/20 Ring Fence Expectation (\$millions)
Auckland	161.3	7.1	168.5

As you are aware, Mental Health is a cornerstone of Budget 2019. It is essential that your service planning and associated expenditure aligns directly to the expectations of the Ring Fence for 2019/20.

If you have any queries concerning this, please send them to Barry Welsh at Barry.Welsh@health.govt.nz

Planning for 2019/20 and Outyears

In your IFG, you were asked to plan based on a \$549 million population funding increase. The Minister has provided clear expectations for the sector to improve its overall financial performance. We will engage directly with you on expectations regarding how your DHB's portion of the additional \$20 million should be recognised in your updated 2019/20 budget. All DHBs are expected to have a plan to return to financial sustainability and to champion improvement, spanning financial, clinical, quality and service sustainability.

The Ministry is enhancing its approach to supporting DHB performance. You have a key role in providing your Board with the right information at each Board meeting to enable informed decisions and performance outcomes. Monitoring of all DHBs' performance will be strengthened and the Ministry will support you to identify and deliver on opportunities for improvement including through collaborative approaches.

We would like to remind you that you should engage early with the Ministry on matters of public and national importance both financial and non-financial given dependencies across the system.

The Government has made no decisions on out-year funding increases. To ensure consistency across DHBs, your Board should assume that the standard DHB funding allocation methodology will be applied in out-years as indicated in this advice.

If you have any questions or need further information on your updated funding advice, please get in contact with:

Byron Gill, Team Leader, DHB Funding

Byron.Gill@health.govt.nz or 04 816 2969

Ngā mihi

Michelle Arrowsmith
Deputy Director-General
DHB Performance, Support and Infrastructure

cc: XXXXXX, Chair
XXXXXX, Chief Financial Officer
XXXXXX, Director of Funding

*Enclosed: 1920 FEBOOK Funding Advice May 2019 Final Release (excel workbook)
Available on Quicr: All IDFs and IDF methodology notes 2019/20.*

