

Memorandum

Additional information on Proposed Vote Health Budget 2019 package

Date due to MO: 3 April 2019	Action required by: 4 April 2019
Security level: BUDGET SENSITIVE	Health Report number: TBA
To: Hon Dr David Clark, Minister of Health	

Contact for telephone discussion

Name	Position	Telephone
Fergus Welsh	Chief Financial Officer, Corporate Services	s 9(2)(a)
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Action for Private Secretaries

For Minister's consideration ahead of discussions with the Minister of Finance on Budget 19 on 4 April.

Date dispatched to MO:

Additional information on Proposed Vote Health Budget 2019 package

Purpose of report

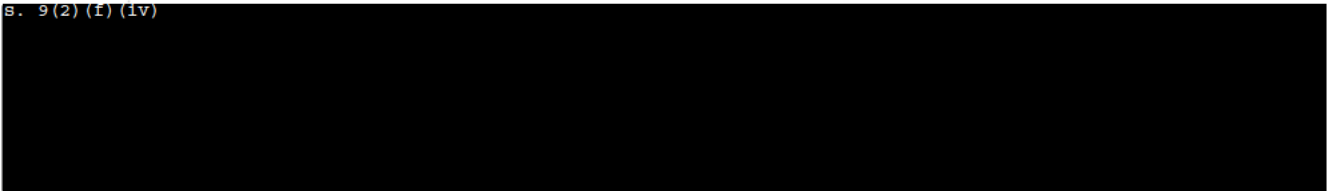
1. You sought further advice on the potential District Health Board package ahead of a meeting with the Minister on Finance scheduled for Thursday 4 April on finalising the Vote Health package.
2. This note also provides further clarity following discussion with the Treasury of the allocation of equity support funding required for DHBs in Budget 19.

Funding for District Health Boards (DHBs)

3. You sought further advice on a credible number for the DHB package. A summary of the various components of a package is attached in Appendix One.
4. We consider a total funding excluding capital charge contingency (discussed further below) of [REDACTED] in 2019/20 [REDACTED] billion over 4 years) is an appropriate level of ongoing funding in the Vote Health package. This is made up of:
 - a. [REDACTED] of funding to the 20 DHBs so they can provide health services for New Zealand's growing and changing population and maintain services in the face of price and wage inflation, inclusive of ring fenced funding for mental health. Officials consider this is the minimum funding required to maintain current DHB cost pressures.
 - b. [REDACTED] million pa to fund the rollout of National Bowel Screening Programme (NBSP) to enable a further tranche of 4 DHBs to implement the NBSP and fund the associated costs. If this was not funded DHBs would need to meet these costs out of existing funding.
 - c. [REDACTED] million in 2019/20 increasing to [REDACTED] million in out years to meet the obligations for [REDACTED] s. 9(2)(f)(iv) [REDACTED] This funding would only be released on agreement of an ongoing plan for each DHB. Any [REDACTED] commitments (approx [REDACTED] a across 20 DHBs) would be expected to be funded from the [REDACTED] million cost pressures funding above.
 - d. [REDACTED] million pa to increase the Combined Pharmaceutical Budget to allow DHBs to meet their share of for more publically funded pharmaceuticals.
 - e. [REDACTED] million pa (d [REDACTED] of the proposed package) to be held as a tagged health wellbeing contingency to be held jointly by you and the Minister of Finance, and only released on the basis of a plan that is then executed to take the DHB on steps to improve financial sustainability, progressing your priorities, or to address equity issues within DHB regions.

5. Excluding item e) above the package that would be announced in the Budget estimates would total [redacted] million [redacted] (less the [redacted] contingency), or [redacted] million¹ [redacted] more than in Budget 18.

s. 9(2)(f)(iv)



7. The Crown has made significant capital investments in DHBs, but it is not certain whether the capital charge paid will increase as it is also influenced by the DHBs net financial position and the timing of DHBs taking ownership of assets.
8. If DHBs had to absorb them there would be an impact on service provision.
9. The above package does would not provide for any additional funding of planned care price and volume increases, nor primary care increase for price. The DHBs would need to absorb:
- a. approximately [redacted] million pa in costs for planned care from its funding pool, assuming no additional funding is secured for planned care; and
 - b. an additional [redacted] million pa in costs for the PHO funding based on a [redacted] million funding package, assuming no additional funding is secured for primary care.
10. As previously advised the Ministry would need to find an additional [redacted] million pa for planned care price and volume increases, and \$16.8 million for its share of primary care growth and wage pressures.

Equity support for DHB deficits

11. Based on current the forecast cash positions for DHBs and reflecting past operating deficits, sufficient funding is required across both 2018/19 and 2019/20 to address forecast cash flow issues in DHBs arising from accumulated operating deficits.
12. The Treasury and the Ministry consider that the \$258 million currently allocated for equity support would be allocated across 2018/19 and 2019/20 will be required. The potential split for funding would be as follows:

	2018/19	2019/20	Total
Current baseline funding	[redacted]	[redacted]	[redacted]
Sought as part of Budget 19	[redacted]	[redacted]	[redacted]
Total proposed funding	[redacted]	[redacted]	[redacted]


Fergus Welsh
Chief Financial Officer
Corporate Services

¹ Including National Bowel Screening funding of \$3.7m was allocated in 2018/19.

s 9(2)(f)(iv)

