DEPARTMENT OF THE PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of Hon Andrew Little, Minister of Health:

Health and Disability System Review Response - update

The following documents have been included in this release:

Title of paper: Health and Disability System Review Response - update (CBC-20-SUB-519 refers)
Title of minute: Health and Disability System Review: December Update (CAB-20-MIN-0519)

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction code:

Section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials

~~[In Confidence]~~

Office of the Minister of Health

Cabinet Business Committee

Health and Disability System Review Response - update

Proposal

1 This paper provides an update on high-level system design in response to the Health and Disability System Review, and short to medium-term improvement work underway in the meantime.

Relation to government priorities

2 The Government's manifesto and the Speech from the Throne committed to undertaking a long-term programme of reform to build a stronger health and disability system that delivers for all, drawing on the recommendations of the independent Health and Disability System Review.

Executive Summary

3 This paper outlines initial and high-level thinking on the overall shape of a reformed health and disability system, and the timeline for Cabinet to receive detailed advice on the future system operating model and implementation plan for the reform. It also updates Cabinet on immediate and shorter-term actions being undertaken by the Ministry of Health that are consistent with the direction of the Review and support the reform programme. Detailed proposals for system reform will be considered by the Ministerial Group in February 2021, and by Cabinet in March 2021.

4 Reviews over the past several decades have found similar things about the public health and disability system. Overall, the system performs well against international comparisons, until we consider equity. Outcomes for Māori and Pacific peoples, and other groups such as disabled people, are persistently worse than those for the general population. For Māori in particular, the system does not operate in partnership and does not meet the Crown's Treaty obligations, as found in the WAI2575 claim. The Health and Disability System Review made similar findings, and also highlighted the fragmented responsibilities within the system, and unwarranted variation in service availability, and clinical and financial performance.

5 The Review describes a shift from the current way of operating to a system that is more integrated and nationally coordinated, with sufficient local flexibility to tailor services to meet people's needs.

Specifically, the goals of a new health and disability system operating model are to reduce fragmentation and strengthen leadership and accountability. At the same time, the system needs to increase the focus on population health and on tailoring services to the way people live their lives, in order to improve equity of access and outcomes for all New Zealanders. Cabinet accepted the case for reform and the general direction outlined by the Review, but there are many questions of detail to be worked through. Also relevant to this work is the Labour Party's specific election commitment to establish a public health agency.

6 These goals will require significant change within the health and disability system. Decisions will need to be made about the extent and speed of structural and operational changes needed to support the achievement of our objectives, to ensure we can achieve equity, realise a true partnership with Māori, and create an innovative and sustainable health system to serve New Zealanders now and into the future. As well as changes in structures, changes in how services are planned and commissioned will be essential.

7 This paper provides an update on the work of the Health Transition Unit in response to the Health and Disability System Review. The emerging direction of reform largely follows the Review's recommendations but begins to clarify or refine aspects of the proposals. For instance, the Review recommended the establishment of the Māori Health Authority as a monitor and policy and strategy advisor to the health and disability system. There is an opportunity to go further than the Review's recommendations and strengthen the Māori Health Authority to give it more influence over service commissioning, and potentially a stronger direct commissioning role.

8 Alongside the Transition Unit's work programme, the Ministry of Health has a work programme of aligned strategic priorities underway. The Ministry is leading initiatives with the wider sector, designed to make short to medium term improvements that align with, and support, the future system transformation identified in the Review. The work also embeds gains from the COVID-19 response and supports the Government's COVID-19 Elimination Strategy. The Transition Unit and the Ministry of Health are working closely together at all levels on their respective work programmes.

Background

9 On 8 June 2020 Cabinet agreed to establish a Transition Unit within the Department of the Prime Minister and Cabinet to respond to the Health and Disability System Review, with a Ministerial Group to oversee the Government's response [CAB-20-MIN-0269 refers]. On 3 August 2020 Cabinet directed the Transition Unit to report to the Cabinet Social Wellbeing Committee before the end of December 2020 with advice on high-level health and disability system design. Cabinet

also directed the Ministry to report back on its medium-term work programme [CAB-20-MIN-0369 refers].

Health and Disability System Review conclusions

10 The Health and Disability System Review concluded that as a whole, and by world standards, New Zealand has a good publicly funded health system. However, it is a system under serious stress, and one that does not deliver good outcomes for all its citizens:

10.1 It has become complex and unnecessarily fragmented, with unclear roles, responsibilities and boundaries, which can lead to organisations and individuals operating within the system pulling in different directions;

10.2 Services are too often built around the interests of certain providers, and not around what consumers value and need;

10.3 Outcomes for some, particularly Māori, Pacific peoples, and people with disabilities, are significantly worse than other groups. Outcomes for Māori represent systemic challenges, as outlined in the WAI 2575 Inquiry;

10.4 Funding has not kept pace with increasing costs and rising demand, and funding arrangements have not incentivised innovation or a longer term focus. However, funding arrangements are not the sole cause of the large sector deficits, or the major contributor to inequitable outcomes.

Review recommendations

11 In response to this, the Review sets out a vision of a nationally integrated system where services are tailored to the needs and values of its users, rather than service providers. The key features are:

11.1 Making population health a foundational element of the system, including the creation of a networked approach to primary and community services.

11.2 Strengthening the coherence of the system by aligning long-term national, regional and local planning, funding and accountability arrangements to provide more central guidance, closer clinical and financial performance management, and greater transparency of performance.

12 The Review also recommends structural change to support clearer lines of accountability and greater national coherence. The Review outlines a public health and disability sector that has:

12.1 The Ministry of Health as chief steward with responsibility for policy, strategy, legislation, long-term system outcomes and monitoring, building population health capacity and leading the Budget process.

12.2 A new organisation, provisionally called Health New Zealand, to provide national leadership of health service delivery, both clinical and financial. It would have a 50/50 Māori/non-Māori governance split, with board members drawn from district health boards.

12.3 A Māori Health Authority to provide policy and strategy advice on Māori health and to commission Māori provider and workforce development, and support Health New Zealand and DHBs with the commissioning of Māori health services.

12.4 A reduction in the number of DHBs from 20 to between 8 and 12, over a five-year period, and strengthening their accountability for improving equitable health outcomes in their own populations and contributing to the efficiency and effectiveness of the nationwide health and disability system.

12.5 A much greater focus on Māori health, updating relevant clauses in legislation, strengthening DHB-Iwi partnerships, requiring DHBs to improve equity of Māori health outcomes in their strategic and locality plans, and ensuring funding formulas better reflect unmet need.

Agreed principles for reform

13 Ministers have agreed to the case for reform and high-level direction of travel outlined in the Review, specifically, changes to the health and disability system that:

13.1 reduce fragmentation,

13.2 strengthen leadership and accountability,

13.3 increase the focus on population health,

13.4 tailor services to the way that people live their lives, and

13.5 improve equity of access and outcomes for all New Zealanders.

Coordinated work programme in response to the Review

14 The Transition Unit has been working through the recommendations of the Review and the options for responding, in accordance with these agreed principles. It is developing advice on the overall reform programme needed to deliver on the principles. This will include detailed advice on a reformed system operating model, reformed monitoring and accountability requirements, funding models, and the structural changes needed to support the new operating model.

15 In the meantime, the Ministry of Health is undertaking a strategic programme of short to medium-term improvements that support the reform goals, within the current operating model. Efforts are focused on improved commissioning, strengthened public health services (including the establish of a public health agency), stronger system leadership, improving primary care, particularly through increased use of telehealth, embedding the lessons from COVID-19, and improved digital and information services.

16 The Transition Unit, the Ministry of Health and the Treasury are working closely and collaboratively, alongside other agencies. Both the Ministry of Health and the Treasury have seconded staff to the Transition Unit as well as dedicating staff to working with the Transition Unit on aspects of the work programme. The work programme includes work that is done together, as well as work led by one agency but in close consultation with others. The disability system transformation is an example of work that will be led by the Ministry of Health, but that will be informed by and inform work on the wider system transformation.

Analysis

17 This paper outlines my initial high-level thinking on the overall shape of a reformed health and disability system – that is, the entities in the system and the relationships between them. In keeping with the Review recommendations and the principles agreed by Cabinet, the Transition Unit is considering how New Zealand can establish a more coordinated, truly national health system, while ensuring that local flexibility leads to improved outcomes.

18 The current operating model for the health system has become overly complex and fragmented. There is a myriad of different organisations operating at various levels and geographic areas, with overlapping regulatory, commissioner and provider roles. This has led to a lack of clear accountability and an individual entity view rather than a collective whole system ethos.

19 Changes in how services are planned and commissioned, s9(2)(f)(iv) will be essential to achieve our aims for the health and disability system. Cabinet will receive detailed advice on those issues in March 2021.

Key system shifts

20 In order to give effect to the agreed principles, I see five key system shifts, focused on integrating services, reinforcing Treaty principles, and ensuring the system and everyone in it is relentlessly focused on the wellbeing of the entire population.

20.1 Services will reinforce Te Tiriti principles and obligations at all levels. There are real options for kaupapa Māori services in all areas and

equitable access to all services. There is effective Māori representation and partnership in designing services and monitoring outcomes.

20.2 All people are able to access a range of support in their local communities which meet their needs and help them stay well and independent. Community-based health and care services are available in all communities, and connect seamlessly to other health and wider government services.

20.3 When people need emergency or specialist healthcare this is available, accessible and high quality. There are strong clinical networks providing evidence-based care equitably to all populations, which work effectively with community services to keep people well.

20.4 People are able to access more services virtually in their homes and local communities. Everyone can access virtual primary, diagnostic and outpatient services, and new technology that improves patient care can be adopted quickly.

20.5 People feel that their health and care workers are valued and have enough of the right skills for the future. Shared values guide a workforce focused on the whole system and the wellbeing of the whole population, not just their own organisation.

Operating model - planning and commissioning of services

21 Currently, planning and commissioning of services is the responsibility of the Ministry of Health for some services and, for the majority of services, 20 District Health Boards. DHBs have two main functions – they are the planner and funder of the majority of health services for their district, but they are also the provider of hospital and specialist services. For primary care, DHBs are generally required to contract for services through a primary health organisation, rather than directly providing or contracting them.

22 The conclusions of the Review, and the initial work of the Transition Unit, points to changed arrangements for these functions. In particular, the Review recommended, and the initial work of the Transition Unit supports, a move to a system in which:

22.1 Hospital-based and specialist health services (which the Review referred to as “Tier 2”) are planned on a national basis, supporting the principles of reducing fragmentation and strengthening leadership and accountability.

22.2 Primary and community-based services (which the Review called “Tier 1”) are commissioned in a more coordinated way to ensure service coverage according to population needs and preferences within localities, supporting the principles of increasing the focus on population health and tailoring services to the way people live their lives.

22.3 The Māori Health Authority works to improve hauora Māori across the whole system, supporting the overall principles of reform and in particular improving equity of access and outcomes for all New Zealanders.

23 These principles for system design point to different arrangements for commissioning the services currently planned and funded by DHBs, and in turn, to changes in the nature of DHBs. There will remain a need for some variety of sub-national entity in the health system, given the need to respond to local needs and preferences. For the sake of convenience, I will refer to these as future DHBs for the remainder of the paper.

24 This reflects one of the key trade-offs in system design: the tension between local flexibility and national consistency. In broad terms, there are:

24.1 Services which should be planned and commissioned nationally, and accessible in the same way to everyone, regardless of location. They are the less discretionary services, where people are unlikely to put off seeking treatment (once an issue is identified). These include very specialised services which should be commissioned once for the whole population, such as transplant services; but also those where consistency of access is important, such as orthopaedic surgery. This includes the vast majority of hospital and specialist services.

24.2 Services which should be planned and commissioned locally. These are services where there will be national expectations or desired outcomes, but where we ensure they meet local needs and preferences. These are services that are more discretionary for patients – including well-child services, primary, and preventative care, where services must respond and adapt to their local populations to ensure uptake of services.

Hospital and specialist services ("Tier 2")

25 As the Review argues, the nature of hospital and specialist health services, and considerations of equitable and nationally consistent access, quality of services, and economies of scale, warrants a more centralised, planned approach, with less local discretion. These are services which will not be located in every community, and in some cases may only require a small number of specialist teams or clinicians for large populations. The way in which these services are distributed in New Zealand to most effective respond to health needs is a matter best addressed by a nationally-led planning process.

26 My initial view, therefore, based on the Transition Unit's advice is that hospital and specialist services should be planned nationally to a common specification. This would be initially part of developing the New Zealand Health Plan by the Ministry, Māori Health Authority, and Health New Zealand. There remain questions about the role of sub-

national organisations (for example, future DHBs and iwi partnership boards) in planning, commissioning and delivery of these services. There will also remain a need for leadership and management of the large and complex institutions that hospitals are.

Community-based services ("Tier 1")

27 Community-based health services include primary health care such as general practice, pharmacy, and community nursing, as well as a wide range of non-hospital services, including aged care, and home-based support services. It is a long-standing objective of the health and disability system to improve access and quality of community services, as that reduces the pressure on hospital and specialist services, and more importantly is better for people who can access health care closer to (or in fact at) home.

28 Improvement in the quality of these services, especially in terms of tailoring the services to the needs of the local populations, is key to improving health outcomes for all New Zealanders. These are the services which need greater local discretion as they must reflect local needs and preferences to be effective.

29 My initial thinking therefore is that future DHBs should become the primary commissioners of community-based services, without an intermediary organisation. This will require them to develop stronger commissioning capability for these services – an ongoing challenge is that the majority of these services are at present delivered by private providers. The benefit of using a future DHB as the primary commissioner is that it may increase sharing of innovation and resources across the localities within a future DHB area, and enable greater integration with hospital services, and potentially greater public provision. It should also enable commissioning to happen at a regional level, similar to other social services, and simplifies the system by removing additional commissioning layers.

30 Under this model future DHBs could also provide support services for networks of primary and community health service providers to facilitate greater integration across providers. The Transition Unit is looking at funding models that could help to drive integration and reinforce shared accountability for outcomes across providers within geographic localities.

31 Analysis is also underway to look at which primary and community health services are currently contracted nationally, and whether these contracts could or should be devolved to regional or local players in the future system. The principles and high-level future contracting arrangements for community service providers will form part of the detailed advice to Cabinet in March 2021.

Overall system structures

32 Structural change alone will not be enough to address the challenges the public health and disability system faces. However, it is a necessary element of reform, and can ensure accountability is clear and roles are assigned to appropriate organisations and do not overlap. In this sense, structural reform is a critical foundational element and will define the environment in which future transformation takes place in the medium and longer-term.

33 There is significant work to be done to determine the precise lines of accountability and responsibility in the future system. In considering proposals to reform the operating model, it is important to begin from a clear and coherent view of the desired roles and functions to be delivered by the system in the future – reflecting the maxim that form follows function – and how that is different to the status quo. Although the Review points towards a potential future model, it focuses predominantly at the national level and leaves numerous decisions to be made on the appropriate range and allocation of functions, which will have a major impact on potential system structures.

34 At a high level, the Review recommended a split between policy and strategy functions, to be led by the Ministry of Health and Māori Health Authority, and operational functions, to be led by Health New Zealand. In practice this delineation will not always be straightforward, and within that framework there are questions about the way in which organisations are accountable to the Minister, and to each other.

35 There are several options on the organisation form of the various health system entities, depending on the eventual decisions about desired powers and relationships between entities. The Transition Unit is working through these issues in consultation with the Public Service Commission, and other agencies, and will provide detailed advice on options to the Ministerial Group in February 2021, before Cabinet decisions in March 2021.

36 In outline, my emerging view, based on advice from the Transition Unit, on the main organisations proposed for the public health and disability system is:

36.1 The **Ministry of Health** should remain as the principal advisor to the Government. It will have policy, regulatory, monitoring, and financial functions. It should be the overall steward of the system and responsible for ensuring the system achieves the outcomes intended. This is in line with the Review recommendation.

There is significant work to be done on where the responsibility for the operational aspects of the system should sit (proposed in the Review to be Health New Zealand), the form of the body with that responsibility, and the relationship between the body and the Ministry of Health. This would include examining where the responsibility for monitoring future

DHBs sits, and indeed where monitoring of the operational aspects of the system sits.

36.2 The **Māori Health Authority** should have a stronger role than proposed by the Review. It should at a minimum have a co-commissioning role, that is, joint approval of plans and service agreements, with Health New Zealand across the entire health and disability system – not just for Māori health services.

The Transition Unit is exploring options for the Māori Health Authority to have a more extensive direct commissioning role, particularly where Māori health outcomes have not improved over time. It is also exploring an advisory role for the authority across the wider government sector, addressing the wider determinants of health for Māori.

36.3 **Health New Zealand** is a more deliberately defined function responsible for leading the operational aspects of the system. Its focus will be squarely on performance — ensuring treatment and services are provides equitably and sustainably. The Transition Unit is working through options for Health New Zealand to give effect to its system leadership role. There are complex questions of governance, accountability, and organisational form. As discussed above, my initial thinking is that Health New Zealand would plan hospital and specialist services on a national basis.

36.4 **A Public Health Agency** could be a stand-alone body, either a Crown Entity or a departmental agency within the Ministry of Health. The public health agency's functions would include developing policy and strategy on public health issues and working with the Ministry and Health NZ to ensure appropriate activities are commissioned. The key questions for Ministers will be about the degree of direct operational control over public health functions, the agency's role in health intelligence, including surveillance, policy and strategy development, and managing the need for an independent authoritative voice on public health matters.

36.5 **Sub-National Entities (future DHBs)** of some kind will remain a core part of the system, though their number and functions will change. My initial view is in line with the Review recommendation that they become fully accountable for the achievement of equitable population health outcomes, in particular ensuring primary and community services are planned and delivered appropriately for their communities.

With Health New Zealand planning and commissioning hospital services on a national basis, there is a question of what degree of involvement the sub-national entities have with hospitals. There will remain a need for strong and effective leadership and management of what are large and complex operations, but there will be a choice about whether future DHBs remain hospital managers or Health New Zealand takes over their management.

Similarly, there are questions about the relationship between future DHBs and Health New Zealand. In the reformed system, future DHBs need to operate cohesively under Health New Zealand leadership. That raises questions about accountability relationships, and consequently organisational form, that the Transition Unit is working through.

Māori Health Authority

37 The Review recommended the establishment of a Māori Health Authority to be based on the Māori health functions of the Ministry. Its role would be to provide policy and strategy advice on Māori health and to directly commission Māori provider development and workforce development. It would work with the Ministry and support Health New Zealand and DHBs in commissioning Māori health services. We committed to establishing the Māori Health Authority in our manifesto.

38 The Māori Expert Advisory Group and some of the Review panel presented an alternative view which strengthened the Māori Health Authority's commissioning role. The alternative view proposed that the Authority support local Māori to work in 50/50 governance arrangements with future DHBs to co-commission services for their populations. The alternative view also proposed the Māori Health Authority also commission kaupapa Māori services and a wider range of population health and cross-government initiatives.

39 Addressing the longstanding equity issues for Māori is a key goal of reform, and I want to be sure that the new arrangements we agree in March will make a genuine difference for Māori. My initial view is that the stronger version of the Māori Health Authority proposed as the alternative view is more likely to improve Māori Health status and meet the Crown's Treaty obligations. The Transition Unit is considering options that would reflect and enhance that stronger version.

40 The key questions for Ministers will relate to the scope of services commissioned by the Māori Health Authority and its relationship with Health New Zealand and future DHBs. The Transition Unit is working through the options in discussion with stakeholders, including representatives of the WAI2575 claimants and the Māori Expert Advisory Group that advised the Review. The options will be presented to the Ministerial Group overseeing the health reform in February 2021 ahead of Cabinet advice in March 2021.

Public Health Agency

41 Cabinet has agreed with the Review panel that population health should be a foundational element of the system. Population health is focused on preventing illness and improving wellbeing across the whole population, with an inherent focus on equity. The Labour Party committed in its election manifesto to establish a public health agency units.

42 A focus on population health across the entire health system is necessary, the public health agency will support the embedding of a coordinated population health approach across the system. It will be important to remember, as we work through options for the agency, the Review's reminder that we will not achieve the transformation required by carving population health off to one side. The functions allocated to the Public Health Agency, and its relationships with other entities in the health and disability system, in particular the Public Health Advisory Committee, will require careful consideration.

43 The key decisions for a public health agency will relate to its degree of independence, and the precise allocation of functions. We have committed to an agency providing national leadership and consistency on all core aspects of public health, including health protection, health promotion, and screening. The key questions for Ministers, as discussed above, will be about the degree of direct operational control over public health functions, the agency's role in health intelligence, including surveillance, policy and strategy development, and managing the need, highlighted by the Review, for an independent authoritative voice on public health matters.

44 The Transition Unit and Ministry of Health are working through options for the agency's form and functions. I will bring detailed proposals to the Ministerial Group in February 2021 and Cabinet in March 2021.

Health NZ

45 The review recommended Health New Zealand be established to strengthen the coherence of the system by driving consistent operational policy, ensure financial balance, and drive continuous clinical and financial improvement.

46 An agency dedicated to driving improved performance across the system and planning services on a national basis will be vital to achieving our goals of reducing fragmentation and strengthening leadership and accountability. A simplified planning system, in which long-term national, regional and local planning are aligned, will enable the public to have the same access to services, regardless of location, and reduce duplication in the system.

47 The key decisions to be made for Health New Zealand will relate to its relationships with other entities, and degree of operational control over elements of the health system. My initial view, as discussed above, is that it should be responsible for planning hospital and specialist services nationally. There is a remaining question of whether it is a direct commissioner of hospital and specialist services, and what role future DHBs have in operating hospitals, and the relationship between them.

48 The key questions for Ministers will relate to the form of the agency, in particular, its degree of separation from Ministers, and from the Ministry

of Health. The Transition Unit is working through the options for Health New Zealand's agency's form and functions. I will bring detailed proposals to the Ministerial Group in February 2021 and Cabinet in March 2021.

Funding

49 There will be funding required to make the proposed changes effective, and deliver a system that supports better and more equitable health outcomes. Community-based services and Māori health should be expected to receive the bulk of any new funding. There will be significant cost implications in expanding services, addressing access barriers to services (including innovative delivery models), and reducing financial barriers. This will be needed to address longstanding health disparities and to shift costs away from hospital settings. There will be choices about scale and pace, but this investment will be key to the success of the reform.

50 There will also be costs of reform. One-off and transitional costs will include the costs of the significant organisational and structural changes to support improvement in functions, pool capability and strengthen accountabilities. The Transition Unit will prepare a Budget bid for Budget 2021 to fund these costs.

51 s9(2)(f)(iv)

52

Timeframe for advice and engagement on reform programme

53 The Transition Unit will provide me with detailed advice on elements of system design to consider over the summer break. The Review Panel undertook extremely wide consultation while developing its Report, so I do not intend there to be general consultation in preparing the government response. The Transition Unit will undertake targeted

consultation with stakeholders, including clinicians and unions, in February. It will provide detailed advice on system reform to the Ministerial Group in February 2021, before Cabinet decisions in March 2021.

Short and medium-term system improvements

The Ministry of Health is prioritising initiatives that support short to medium-term system improvements aligned with the Review's direction of travel

54 Even rapid implementation of health system reform will be expected to take several years to embed and translate into improved outcomes. In the interim, it will be critical to demonstrate momentum, begin to transform services, and lay the foundations for wider change – all whilst ensuring that core business as usual services are maintained for New Zealanders and ongoing performance does not deteriorate.

55 In the immediate term, the Ministry of Health has three overarching strategic priorities, which help support public confidence in the system as well as contributing to a stable platform for implementing future system transformation:

55.1 Continuing to manage the COVID-19 response and deliver the Government's Elimination Strategy,

55.2 Supporting DHBs to improve performance and equity of outcomes, and

55.3 Implementing the Government's response to *He Ara Oranga* (the Government Inquiry into Mental Health and Addiction).

56 Alongside proposed structural transformation, the Review also made a range of recommendations about other opportunities to enable the system to adapt to changing circumstances and improve outcomes for people. The Ministry is progressing actions now that support short to medium term system improvements, embed gains from the COVID-19 response and are consistent with the Review's vision for the future. Cabinet endorsed a subset of these actions in August 2020 [CAB-20-MIN-0369 refers]. Initiatives are focussed across the following areas:

56.1 **Commissioning for better health outcomes for Māori and all New Zealanders,** with person-centred care and population health embedded as the core principles of commissioning at all levels.

56.2 **Strengthening public health services** to improve, promote and protect population health, address inequities and enhance broader wellbeing, with special emphasis on standing up an immunisation strategy to address long-standing issues as well as provide a strong base for distributing the COVID-19 vaccine.

56.3 **Strengthening system leadership at all levels**, including stronger central direction where appropriate to ensure a unified response to

COVID-19, stronger national service planning and centrally led industrial bargaining.

56.4 **Improving delivery of primary and community care** through increased use of triaging and telehealth services, health promotion and preventative services.

56.5 **Strengthening focus on system quality and safety** to ensure the best possible outcomes for all New Zealanders, including embedding and amplifying positive changes during COVID-19 Alert Level 4, such as greater use of telehealth.

56.6 **Delivering a modern, digitally-enabled health system**, to realise the potential of linking and providing information across the system to help people look after their own health and make decisions.

56.7 **Investing in intelligence and insights to modernise and improve the system**.

The Ministry is making good early progress in implementing key initiatives

57 The Ministry is delivering a rolling suite of actions that support the areas above, align with the strategic direction of the Review, embed lessons from the COVID-19 response and lay the groundwork for system transformation. Swift gains have been made in some areas by working collaboratively and testing solutions rapidly. This shows what is possible across the system with the right leadership, permission and partnerships.

58 Key achievements to date include:

58.1 86% of general practices now use the NZ ePrescription Service as at the end of October 2020 – up from 32% in February 2020. The Ministry has also supported the development of solutions to improve the quality of prescriptions to improve patient safety and experience.

58.2 15 DHBs have contracted integrated primary mental health and addiction services at 100 sites, with 54,000 contacts since July 2019.

58.3 New services are also being rolled out in a range of settings with a specific focus on Māori, Pacific people and young people, including:

a) youth-specific primary mental health and addiction services in six DHB regions with other regions in the final stages of negotiation,

b) investment of $1.5 million for services for Pacific peoples in Auckland, Hamilton and Canterbury, expected to be contracted by Christmas 2020,

c) a new approach to procurement, tailored to support easier participation from kaupapa Māori providers, with a greater

focus on kōrero and additional support for smaller providers. Two contracts for the expansion of existing kaupapa Māori services have already been agreed

d) The publication of Ola Manuia: The Pacific Health and Wellbeing Action Plan 2020–2025.

58.4 The national rollout of services is supported by investment to grow and upskill existing workforces, while also developing new and emerging workforces. Investment to date has seen expansion of mental health and addiction literacy programmes and cultural competence training, as well as additional scholarships and support for people to enter the mental health and addition workforce.

58.5 Early engagement with the wider health sector on the establishment of a national public health service or agency, in line with the Manifesto commitment, to provide strong, agile and joined-up system to support prevention efforts as well as responding to all emerging public health threats, including implementing the Government's COVID-19 Elimination Strategy.

These gains position the Ministry and system to deliver future priorities

59 Key lessons and gains from COVID-19 response – for example the rapid development of a National Investigation and Contact Tracing System, an analytical tool to support system wide COVID-19 surveillance and decision making, and improved system leadership - will support the rollout a COVID-19 immunisation programme in 2021.

60 There will also be opportunities to leverage these gains in the medium to longer-term to drive positive system wide shifts identified in the Review, including a renewed focus on prevention, population health and delivering new models of care.

Ministers will receive advice on next steps in medium-term strategic policy areas

61 The Ministry will provide advice to Ministers on next steps to further progress short to medium term system wide improvements that align with the direction of the Review, including:

61.1 next steps for transforming the disability system, including alignment with the overall reform programme

61.2 options for establishing a national public health service or agency; and

61.3 next steps for progressing the data and digital work required to develop a National Health Information Platform

62 The Ministry will continue to progress these strategic initiatives in close alignment with the Transition Unit's work, ensuring they are also aligned with broader Government priorities.

The Ministry is also working with the Ministry of Social Development on the transformation of the disability support system

63 The Ministry is working with the Ministry of Social Development and stakeholders through the Enabling Good Lives leadership, to design arrangements to transform the disability support system.

64 The main objectives of this work are to ensure that disabled people are more connected to their communities, employment, housing and education by having: more choice and flexibility in the supports they access, that the voices of disabled people are embedded in leadership and decision roles, and disability services are based around the requirements of disabled people and their whanau.

65 Prototype services have been operating in Christchurch since 2013, Waikato since 2015 and Mid-Central from 2018. In 2017 Cabinet approved the establishment of the Mid-Central prototype, and continuation of the Christchurch and Waikato prototypes, s9(2)(f)(iv)

66 Decisions will be required by Ministers on the future of this work, including funding to support the continuation of the three pilot regions, as well as investment for the detailed design for scaling up pilots at a national level. The advice will also include options for changes to structural arrangements and governance, and for accountability mechanisms to support the transformed disability system.

67 The Ministry of Health will continue to work closely with the Transition Unit to ensure the implementation of the disability system transformation work is closely aligned with the overall review programme, while continuing to be driven by the Enabling Good Lives principles.

68 Officials propose that the disability system transformation continue to be led from the Ministry of Health, in partnership with other social sector agencies and members of the disability community and in close collaboration with the Transition Unit. Officials also suggest that there be a single Ministerial governance structure across both work programmes, with the Ministerial group that governs the Health and Disability System review inviting the Minister for Disability Issues joining meetings for items relating to the disability system transformation.

Financial Implications

69 This paper has no direct financial implications. Funding issues for the Review response process and related health system issues are noted in paragraph 49-52 and will be considered as part of Budget 21 and future Budget processes.

Implementation

70 The necessary structural and organisational change will require significant implementation planning. It will be possible to reallocate some responsibility and decision authority and establish some interim structures in advance of legislative change. s9(2)(f)(iv)

Legislative Implications

71 Legislation will almost certainly be required to give effect to the eventual reform decisions. At a minimum, legislation will be needed to give effect to any changes to system structures agreed by Cabinet when final decisions are made next year.

72 s9(2)(f)(iv)

Impact Analysis

Regulatory Impact Statement

73 The Impact Analysis Requirements do not apply to this paper. An Impact Statement is being prepared and will accompany the decision paper early in 2021.

Population Implications

74 The proposals in this paper have no population impacts. The detailed advice to Ministers in March 2021 will include detailed analysis of population implications.

Human Rights

75 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

76 The Ministries of Health and Social Development, the Treasury, the Public Service Commission, and the Department of the Prime Minister and Cabinet have been consulted. Their comments are reflected in this paper.

Communications

77 I do not intend to make any public statement about this paper.

Proactive Release

78 I intend to release this paper in accordance with the guidance in Cabinet Office Circular CO (18) 4.

Recommendations

The Minister of Health recommends that the Committee:

1 note that in June 2020, Cabinet accepted the case for change and general future approach set out in the final report of the Health and Disability System Review and agreed to establish a Transition Unit within the Department of the Prime Minister and Cabinet to advise on the Government's response, with a Ministerial Group to oversee the Government's response to the review [CAB-20-MIN-0269]

2 note that in July 2020 Cabinet directed the Transition Unit to report on high-level system design before the end of December 2020 [CAB-20-Min-0369]

3 note that in August 2020 Cabinet also directed the Ministry of Health to report to Cabinet Social Wellbeing Committee before the end of November 2020 on progress achieving the priorities outlined in Appendix 1 of the submission under CAB-20-SUB-0369 [CAB-20-MIN-2020]

4 note the Minister of Health's initial view that high-level system design should broadly follow the Review's recommendations, but there are significant questions to be resolved about the detail of the functions of the new entities and relationships between them, and where recommendations could go further to achieve the goals of the reform

5 agree in principle to establish a Māori Health Authority

6 direct the Minister of Health to report back to Cabinet in March 2021 with detailed proposals for the form and function of the Māori Health Authority

7 agree in principle to establish Health New Zealand as the lead agency for the operational aspects of the public health and disability system

8 direct the Minister of Health to report back to Cabinet in March 2021 with detailed proposals for the form and function of Health New Zealand

9 agree in principle to establish a Public Health Agency

10 direct the Minister of Health to report back to Cabinet in March 2021 with detailed proposals for the form and function of the Public Health Agency

11 agree the Transition Unit will undertake targeted engagement with stakeholders in February 2021 to refine proposals for system reform

12 authorise the Ministerial Group to approve engagement material for the engagement referred to in recommendation 11

13 note the Ministerial Group will consider reform proposals in February 2021

14 invite the Minister of Health to bring detailed reform proposals and an implementation plan to Cabinet in March 2021

15 note that the Ministry of Health will provide Ministers with further advice on:

15.1 the next steps for transforming the disability system, including alignment with the overall review programme:

15.2 next steps for progressing the data and digital work required to develop a National Health Information Platform.

Authorised for lodgement

Hon Andrew Little

Minister of Health

Cabinet

Minute of Decision

Health and Disability System Review: December Update

Portfolio **Health**

On 14 December 2020, following reference from the Cabinet Business Committee, Cabinet:

1 **noted** that in June 2020, Cabinet accepted the case for change and general future approach set out in the final report of the Health and Disability System Review and agreed to establish a Transition Unit within the Department of the Prime Minister and Cabinet to advise on the government's response, with a Ministerial Group to oversee the government's response to the review [CAB-20-MIN-0269];

2 **noted** that in July 2020, Cabinet directed the Transition Unit to report on high-level system design before the end of December 2020 [CAB-20-MIN-0369];

3 **noted** that in August 2020, Cabinet also directed the Ministry of Health to report to the Cabinet Social Wellbeing Committee (SWC) before the end of November 2020 on progress in achieving the priorities, which are outlined in Appendix 1 of the submission under CAB-20-SUB-0519;

4 **noted** the Minister of Health's initial view that high-level system design should broadly follow the Review's recommendations, but there are significant questions to be resolved about the detail of the functions of the new entities and relationships between them, and where recommendations could go further to achieve the goals of the reform;

5 **noted** the intention, **subject to** paragraph 6 below, to establish a Māori Health Authority;

6 **invited** the Minister of Health to report to SWC in March 2021 with detailed proposals for the form and function of the Māori Health Authority;

7 **noted** the intention, **subject to** paragraph 8 below, to establish Health New Zealand as the lead agency for the operational aspects of the public health and disability system;

8 **invited** the Minister of Health to report to SWC in March 2021 with detailed proposals for the form and function of Health New Zealand;

9 **noted** the intention, **subject to** paragraph 10 below, to establish a Public Health Agency;

10 **invited** the Minister of Health to report to SWC in March 2021 with detailed proposals for the form and function of the Public Health Agency;

11 **agreed** that the Transition Unit will undertake targeted engagement with stakeholders in February 2021 to refine proposals for system reform;

12 **authorised** the Ministerial Group to approve engagement material for the engagement referred to in paragraph 11 above;

13 **noted** that the Ministerial Group will consider reform proposals in February 2021;

14 **agreed** that the Ministerial Group also include the Minister for Disability Issues;

15 **invited** the Minister of Health to bring detailed reform proposals and an implementation plan to SWC in March 2021;

16 **noted** that the Ministry of Health will provide Ministers with further advice on:

1.1 the next steps for transforming the disability system, including alignment with the overall review programme;

1.2 next steps for progressing the data and digital work required to develop a National Health Information Platform.

Michael Webster
Secretary of the Cabinet