The Government's response to the Ministerial Review Group's Report 'Meeting the Challenge'

21 October 2009

In January 2009 the new National Government responded to the serious challenges facing the public health system by establishing the Ministerial Review Group (MRG). The Group included some of the leading clinicians and managers in the health sector and on 31 July this year, it provided advice to the Government on improving the quality and performance of the public health system. The MRG report 'Meeting the Challenge' made 170 recommendations, many of which are widely supported in the sector, some of which are already underway. Other recommendations were more complex and today the Government announced its decisions on them.

Taken together these decisions reduce duplication of decision making around planning, capital and IT, and consolidate the 21 District Health Boards' (DHB) back office administrative functions.

Key decisions

- Establishing a National Health Board (NHB), as a unit within the Ministry of Health, providing more focused national supervision of the $9.7 billion dollar spend on hospital and primary health services. The NHB will:
    - sit within the Ministry of Health with a General Manager and a Chair of an advisory board who reports directly to the Minister of Health.
    - take over funding and planning of specialist national services such as paediatric oncology, clinical genetics and major burns.
    - take over infrastructure planning of IT, Workforce and Capital management from current fragmented delivery by 21 DHBs and other agencies.
- Creating a Shared Services Establishment Board to begin consolidation of administrative functions such as payroll and purchasing currently spread across 21 DHBs and regional shared agencies.
- Strengthening regional cooperation in service planning and delivery, which will require legislation.
- Devolving programme of funding of up to $2.5 billion, currently managed by the Ministry of Health, where appropriate to DHBs.

These decisions in total result in greater coordination of DHBs and stronger and better planned decisions in relation to infrastructure, especially IT, Workforce, and Capital.

Changes as a result of these decisions

Today's announcements focus mainly on consolidating back room functions which will free up resources for delivery of better frontline health services. In relation to these decisions:

- Staff changes and cost savings are estimated within broad ranges at this early stage.
- It is estimated that total administrative staff across the sector may reduce by up to 500 over the next three years.
- Total savings of up to $700 million over the next five years are likely and they will be re-invested in front line health services.
- Currently there are 157 committees and Boards scattered across the health service. The changes announced today will contribute to reducing that number towards 54 committees. These include the National Health Board, and underneath it, three expert Boards/Committees to lead delivery of IT, Capital and Workforce. These three replace HISAC and several information and capital committees, and include the already announced Clinical Training Agency Board.

These changes are expected to deliver better value for money, and help our health system become more efficient and sustainable. The degree to which they answer the challenges facing our health system will be reviewed in three years to assess whether further improvements are needed.

Implementation

Implementation will begin immediately, and will be undertaken with urgency. The appointment of the Chair of the new National Health Board is expected to be made shortly, and membership of the new Boards will be finalised within a month.

Officials will report back on the Terms of Reference, membership and initial reporting dates for the Shared Services Establishment Board within two weeks.

Other significant work underway includes:

- Reorienting the National Health Committee to focus on improving value for money and prioritising new health technology and interventions.
- The Ministry of Health, in consultation with the Treasury and State Services Commission, reporting by the end of the year on:
    - expanding the remits of PHARMAC and MEDSAFE to include the prioritisation and procurement of medical devices.
    - establishing a separate Quality Improvement Agency.
- Progressing MRG recommendations on increasing clinical leadership and clinical networks.
- The Minister of Health will consider the remaining recommendations of the MRG Report, and reporting back to Cabinet as appropriate.
- Officials will provide further advice on those aspects that may require legislative change.

Questions and answers

The change	
Why are the changes necessary?	Significant challenges face the health sector and threaten its clinical and financial viability. NZ is competing for a scarce workforce. The population is growing and ageing, new models of care are needed, and people have trouble getting the services they need quickly and conveniently. In addition, it is widely accepted that past high rate of annual increase in health funding of over 8% a year cannot be sustained; especially in a recession. The health system is not well placed to respond to these challenges. It is often fragmented and poorly co-ordinated. Opportunities are missed and energy dissipated. Making good decisions on investment is difficult and services are not always well configured. There have been a number of missing links in the system from the beginning – which made national planning and funding of specialist services and regional cooperation difficult to achieve. These changes aim to make the present system work better.
What are the main changes proposed?	The main changes are: ▪ A new National Health Board within the Ministry of Health for tighter focus and supervision of the $9.7 billion spend on hospital and primary care services. ▪ NHB to plan and fund specialist national services like paediatric oncology, clinical genetics and major burns. ▪ NHB to consolidate infrastructure planning and funding of IT, Workforce and Capital management from current fragmented delivery by 21 DHBs and other agencies. ▪ A Shared Services Establishment Board to begin consolidation of administrative functions such as payroll and purchasing currently spread across 21 DHBs and regional shared agencies. ▪ Requirement and support for regional cooperation in service planning and delivery.
What will the changes achieve?	As a package, the proposals Cabinet has agreed will save up to an estimated $700 million over five years and reduce the health system bureaucracy by up to 500 administration jobs. Job losses would be managed as much as possible through attrition. The changes will increase focus on priority areas, reduce bureaucracy and duplication, and free up resources for more front line services. $700 million would buy around 16,000 heart bypass operations or build two large city hospitals. The changes will clarify national, regional, and local roles, leading to better quality services that are more secure for the future. They will improve information systems, capital, and workforce investment. The decisions will free resources for frontline services through more efficient provision of administration and support services.

The process	
Who is the Ministerial Review Group?	Cabinet established the Ministerial review group in January 2009 to provide independent advice on how to address significant challenges facing the health service. It was a panel of highly experienced clinicians, health sector managers, Chaired by a former Treasury Secretary, and included the Director General of Health.
What did they do?	Over a period of six months the Group met with a wide range of health and disability sector leaders from across the country. The group then formed a report with over 170 recommendations to address the challenges the sector faces.
The MRG report has over 170 recommendations – what do these initiatives cover?	The decisions of Cabinet have addressed some of the core issues underlying the MRG's recommendations. In addition, many of the proposals in the MRG report are already underway. The Minister of Health has established the Clinical Training Agency Board as a workforce advisory board; and has started making changes in Primary Care. Other proposals will be considered by the Government over the next few months.
How were clinicians involved in the Government's response?	Clinicians' feedback was an important part of the decision making process – individually, and collectively through their professional associations and groups. Their input will also be critical to implementation and in considering other recommendations (in particular the Quality Agency) not yet addressed.
How did you take public feedback into account?	There were about 130 separate items of feedback about the report – from individuals, organisations and groups. Most agreed with the challenges as described. Many agreed with the solutions proposed and others had important perspectives that have helped formulate the package that Cabinet has announced. (For instance there was general enthusiasm for the idea of sharing administration and support services but several cautions of the difficulties of implementation.) This is New Zealanders' health service and the voice of clinicians, health sector groups and the public will be a big part in shaping the services we provide.
What is the need for legislation with these changes?	Legislative change will be considered for implementing changes around shared services, regional planning and perhaps some of the changes at the centre. The government will be receiving advice on these issues as part of implementation planning.
What is the timeline for change?	The challenges are immediate. The response commences now and progressively builds as the Cabinet's decisions are implemented. The government will do this properly to make sure the benefits are realised. The sense is one of measured urgency. Advice on the transition is being prepared now. The expectation is that the Ministry of Health National Health Board would be operational within months.

	The transition for the shared services is more complex and will happen progressively in stages. The criteria will also include continuity of service and maintaining quality. Some of the other recommendations of the MRG, such as those on the quality agency and expanding the role of Pharmac, are still under consideration. The Minister expects to firm up a proposal before Christmas.
Where are all the documents?	Information is readily available for the public on the Minister's website: http://www.beehive.govt.nz/minister/tony+ryall The Ministerial Review Group report 'Meeting the Challenge',public feed back on the report, and Cabinet papers relating to the Government's decisions are also available on the website.
What the changes will achieve	
How will the changes affect patients?	These changes are being made to provide better, sooner, more convenient, services to patients. They will allow us to meet existing and future demands. Better planning of services will mean better quality services for patients. There will be better handling of health information to reduce errors and speed up your treatment. The cost of buying supplies will fall, freeing up more money for front line services – in many cases that will mean services will be maintained in the face of increasing costs and tight fiscal conditions.
How will the estimated savings be achieved?	This is not only about reducing costs; this is about freeing up resources and reinvesting them in health services. Estimated savings will be up to $700m over the first five years after shared services are fully implemented. Experience with quality implementation of shared services overseas suggests that implementation takes around 3 years. This means that in the first year after full implementation, it is estimated there will be up to $100m in savings and in the fifth year after full implementation up to $180m. We are not going to be spending less on health - next year spending on health services will still increase. Our expectation is that we will deliver more bang for the buck through better services and more resources to the front line. *Follow up and caveats:* There will be an upfront investment in the infrastructure necessary to support this and it will take time and careful implementation to realise these savings and efficiencies. Exact figures and timing are uncertain at this stage but the government is taking the responsible course of action and doing a thorough first phase: benchmarking, analysis, and business case development.
How is this going to improve productivity?	These changes are designed to improve service delivery and that can happen in a number of ways – better organisation of services, smarter buying and co-ordination of resources, better regional and national coordination of services.

How does this reduce duplication and bureaucracy?	The changes around service planning and sharing services will reduce duplication. The package of changes will clarify and streamline decisions on services and investment in the health sector – that is a major reduction in bureaucratic muddle. There will be fewer administrative staff overall, and the changes at the centre will allow greater focus on the Government's priorities and shift more resources to the frontline.
How much structural change will this require?	The District Health Board (DHB) model is intact – these changes fill the missing links and make the system work better to improve services for New Zealanders. Additional ways to coordinate and manage the system are needed to improve value for money. Within three years we will review these changes to see if we've been able to address the challenges – or whether we need more fundamental reform of the DHB model. We can't continue to provide the services the way we are – most of the feedback agreed – we have made some important improvements to ensure we keep providing New Zealanders with the health and disability services they need and deserve.
Why haven't you merged DHBs?	We made a pre-election commitment not to forcibly merge DHBs and we are sticking to that. Some of the feedback has suggested that we consider further structural changes – including merging DHBs – but today's changes are designed to make the current system work better.
What will these changes mean for DHBs?	These changes are to make the DHB model work better. DHBs will be better supported to do their job. There will be national and regional arrangements that will allow DHBs to provide the best health services to their local populations with the available national resource. Capital, information systems, and workforce investment will better support the delivery of services, both now and in the future. The ability to share services more readily will free resources for the frontline. DHBs will retain their autonomy to make decisions about how best to spend their funding on health services for their local populations.
Will this affect the number of staff in DHBs?	This is about improving services and outcomes for patients. It is estimated up to 300 administrative jobs in DHBs will go as part of shared services changes. The will be increased efficiency, reduced duplication, and better prices. It is once this is done that staff will be freed up for the frontline. It is a process that will progress over several years and would be managed through attrition and voluntary redundancies as much as possible.
What about primary care?	The Government is committed to primary care and its plans for integrating primary care services are well underway. Further, the Ministry of Health is working to examine and scope some of the other MRG proposals relating to primary care.

What happens to the CHFA and DHBNZ?	The government has taken its first set of decisions on health sector changes. There are many other decisions to follow, amongst them the futures of the CHFA and DHBNZ and where their functions sit.
HISAC/IT Board and the payments function	
What is HISAC?	HISAC is the Health Information Strategy Advisory Committee.
What is the payments function?	Management and support of payment systems and the national health information collections, the national immunisation register and the cancer register. 120 million payment transactions per year, handling $6.5 billion each year.
What is happening with the payments function?	The Minister of Health is changing HISAC and is asking it to examine what is needed to secure a better level of quality, reliability, and efficiency.
Is there going to be a new IT Board or a new HISAC?	The plan is to quickly reorient HISAC to give more active oversight of information investment and information strategy delivery. It will turn into the IT Board.
Shared services	
What are shared services?	These are the administration and support services such as procurement and logistics, payroll, human resource functions, and transactional information systems that support the sector's functioning.
What are the decisions on shared services?	We are setting up a skilled Establishment Board to guide this work. They will move rapidly through benchmarking, analysis, and develop a business case for sharing services. Terms of reference will be with the Government soon and it is expecting to be in a position to make decisions on structure in April next year.
How do these changes build on the work DHBs already have underway on sharing services?	The expertise of the DHBs will continue to be important and the groundwork they have done will be invaluable. In their feedback DHBs were keen to have an agency. The next step is to work through a business case that will tell us just what and how to do this best, within tight timelines. The potential gains are too important to neglect or be derailed.
How much will be potentially saved by establishing more coordinated shared services?	It is estimated there will be up to $700 million saved over the first five years as well as up to 300 administrative positions. $700 million would buy around 16,000 heart bypass operations or build two large city hospitals. Any job losses would be managed as much as possible through attrition and voluntary redundancies.

Will clinicians be involved in the choices of equipment they use?	Processes around joint procurement will require clinical input and will be designed to have it. Clinicians also value the quality returns of more standardisation, where that is appropriate, and they will be engaged in these decisions.
Will DHBs be compelled to share administration and support services?	The best returns to many shared service initiatives occur with the greatest volumes of transactions so we need as many DHBs in as possible. A main thrust of this package of changes is to support DHBs in working together, and enforce engagement.
National Health Board within the Ministry	
What is the National Health Board within the Ministry?	The NHB is a unit with its own organisational structure within the Ministry of Health, but with a clearly defined separate identity. Examples in the public sector include Biosecurity New Zealand (in MAF) Work and Income (in MSD) and MedSafe (in MOH). The National Health Board (NHB) will have an Expert Advisory Board providing the Minister of Health and the Director-General with independent, expert advice about the performance of the Board (within the Ministry).
Why did Cabinet choose this option?	After careful consideration, the Government decided that this is the best way to strengthen the DHB model. It is possible and desirable to achieve the changes proposed by the MRG using existing central organisations and it is a very rapid way of getting a new focus. The aim was not change for change's sake, but getting improvements. A key part of the MRG's proposals was to improve services through better organisation of existing national functions and sharper focus. The MRG argued that the Ministry of Health was spread too thin over too many tasks – the NHB provides the specific focus on planning and funding services through an internal 'agency'. The government will be reviewing the effectiveness of these changes within the next three years.
How does this refocus the Ministry?	The creation of the NHB as a Business Unit within the Ministry will involve a comprehensive re-organisation of the Ministry of Health to focus both the existing and the new functions (e.g. coordinated capacity planning). The NHB comprises a Unit in the Ministry and an advisory board to ensure the unit focuses on its planning and funding role and to provide expert advice to the Minister of Health and the Director-General of Health. The rest of the Ministry will be able to concentrate on its core functions of policy, regulation, and monitoring. The way some information services are organised and, if, following the review of national services, funding and planning for some services is devolved to DHBs (and regions) the number of things the Ministry is asked to do will reduce.

What will move into the National Health Board?	During the implementation process there will be careful consideration of how functions are organised – including, for example, which parts of the planning function are integral to policy and regulation and should therefore stay in the Ministry, and which should be in the Branded Business Unit. These sorts of decisions are vital to making sure that the new arrangements are effective.
When will the NHB be established?	The recommendations will be acted on immediately. The transition process will be up and running well before Christmas.
Will the rest of the Ministry of Health be restructured?	The structure of the Ministry as it is now will change, but it's too early to tell exactly how. This is a responsibility of the Director General of Health. He has indicated net overall staff reductions of 185 staff over the next 20 months within the Ministry of Health.. What we can guarantee is that anyone affected by any change will be kept fully informed, consulted at the appropriate time and supported through any change.
What about the costs of change?	The government is making these changes to improve services to patients. It is estimated start up costs may be up to a one off $6 million. The Government and the Ministry of Health are committed to minimising disruption and costs of transition, including those for staff. The Director-General of Health is setting up a process to manage the transition within the Ministry.