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 Reform Briefings

The following documents have been included in this release:

Title of paper: Health Reform Strategy and Approach to Legislation

Title of paper: Health Reforms: Implementation and Transition Cabinet Paper

Title of paper: Health Reforms: Planning and Accountability Framework

Title of paper: Health Reforms: Implementation of a Consumer Voice Framework

Title of paper: Health Reforms: Legislation Cabinet Paper Summary and Talking Points

Title of paper: Health Reform: Legislation and Transition Update

Title of paper: Health Reforms: Legislating for Public Health Structures

Title of paper: Health Reforms: Legislating Intervention Powers and Obligations Relating to Health New Zealand

Title of paper: Health Reforms: Final Decisions for Legislation

Title of paper: Health Reforms: Implementation Cabinet Paper Summary and Talking Points

Title of paper: Confirming Hauora Māori System Settings

Title of paper: Health Reforms: Employment Relations Settings

Title of paper: Further Policy Decisions for the Health Reform Bill: Cabinet Paper Summary and Talking Points

Title of paper: Health Reforms: Development of the NZ Health Charter and Associated Legislative Provisions

Title of paper: Health Reforms: Independent Alcohol Advice and Research Function and Levy

Title of paper: Health Reforms: Remaining Transitional and Consequential Provisions for Decision

Title of paper: Joint Te Kawa Mataaho/ Health Transition Unit Report: Māori Health Authority – Proposed Application of Crown Entities Act 2004 and Public Service Act 2020

Title of paper: Health Reforms: Draft Cabinet Paper to Approve Bill for Introduction and Health System Principles

Title of paper: Pae Ora (Healthy Futures) Bill: Approval for Introduction at Cabinet

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Aide-Mémoire

HEALTH REFORMS: IMPLEMENTATION CABINET PAPER SUMMARY AND TALKING POINTS

To	Hon Andrew Little, Minister of Health	**Report No**	DPMC-2021/22-177
From	Stephen McKernan, Director, Health Transition Unit	**Date**	16/08/2021

Purpose

1. This aide-mémoire provides you with a two-page summary of the draft Cabinet paper on progress and plans with implementation, and additional talking points to support Ministerial consultation. Talking points will be updated as necessary following consultation to support discussion at the Cabinet Social Wellbeing Committee.

Summary talking points

Progress with implementation:

2. There has been substantial progress in the early months since the announcement of the reforms, with a particular focus on partnership and engagement with the health workforce, wider sector, and Māori, Pacific and disabled people. My assessment is that we remain on track to meet the critical milestones to deliver the reforms by July 2022.

3. In particular I would highlight:

   a. The **legislation** to deliver the reforms is advancing. Cabinet has made a majority of policy decisions, with final decisions to come in early September. Time is tight to draft the Bill, but remains on track for approval and introduction by end September.

   b. **Establishment of interim agencies** is set for 1 September 2021. The Order in Council is in place, departmental agency agreements are well developed, and recruitment has taken place to identify members of the interim 'boards' of the agencies. Letters of expectation are also being prepared to set requirements.

   c. Further progress with **detailed design of the reformed system** is accelerating, with the Transition Unit commencing early programmes to make progress before shifting these to the interim agencies. This includes programmes to develop the interim NZ Health Plan and NZ Health Charter.

d. There remains a strong focus on **communications and engagement**. The Transition Unit has held more than 400 meetings and workshops with stakeholders including DHBs, health providers, disability sector representatives, unions, colleges and workforce representatives, amongst others. The Steering Group led by Tā Mason Durie is continuing to meet regularly to advise on the development of the Māori Health Authority and wider responsiveness of the system to Māori.

Risk mitigation and oversight:

4. There remain risks to delivery. These include systemic risks, including those arising from historic issues such as funding sufficiency, and programme risks which relate to the necessary pace of implementation. In my view the nature and likelihood of these risks remain unchanged at this time, and are being managed actively.

5. Our approach to reform is intended to help to identify and manage risk. However, the scale of the reform programme is such that some element of risk will inevitably remain. In particular:

   a. The timeline to draft and pass legislation by July 2022 may become undeliverable, given the complexity of issues to be debated and likely volume of submissions to the Select Committee. Controversy over provisions in the Bill may mean that it cannot be passed and brought into effect in time.

   b. Health NZ and/or the Māori Health Authority may be unprepared to 'go live' on 1 July 2022, for instance because they have not developed sufficient infrastructure to deliver their core functions and manage day-to-day operations of the health system, or because they do not yet have the planning and commissioning frameworks in place.

6. The Transition Unit has developed plans to mitigate these risks and maintain the direction of our reforms, should these materialise. If necessary, these could entail delaying the passage or commencement of the main legislation beyond July 2022 to tackle risks to readiness. This approach might also require introducing a smaller Bill under urgency to cancel DHB board elections scheduled for October, and put in place commissioners to replace existing boards, with these reporting to interim Health NZ.

7. The Transition Unit will continue to strengthen its risk management, aligned with the Ministry of Health's stewardship function. To support this, the Transition Unit will establish a Transition Assurance Group of senior officials, leaders from the health sector and independent advisors to review emerging and ongoing risks and issues and strengthen monitoring and reporting to Ministers.

8. I will continue to report to Cabinet on progress and risk. I propose this include:

   a. regularly, quarterly updates on progress, including reporting from interim agencies when they are established, to maintain oversight; and

   b. a more formal decision point to confirm Cabinet's intention to proceed to commence the legislation on 1 July 2022. I expect this would take place in March/April 2022, before the Bill is passed. This would include a fuller assessment of readiness.

Day 1 for the reformed system:

9. Day 1 is expected to be 1 July 2022. On this day Health NZ and the Māori Health Authority will be established with their full range of statutory functions, and district health boards and Te Hiringa Hauora/Health Promotion Agency will be formally disestablished.

10. Day 1 will not be the full or final version of the system agreed by Cabinet. I expect Health NZ and the Māori Health Authority to put in place interim ways or working, process and functions and improve these over time. Relationships will also develop and improve; and culture will take time to embed.

11. In order to have a functioning system on Day 1, there are a number of structures, functions and machinery of government artefacts that will need to be in place, along with transfers of staff to their new employers. For each of these I would expect to see:

    a. Structures: the structural settings are in place for new entities to run our health system at national, regional and local levels, including regional divisions and teams within Health NZ. Not all elements will be place and some will be expected to be in interim form – for instance, I expect it will take some time for localities to be determined and established in all areas of New Zealand.

    b. Functions: entities are performing the critical functions to carry out their core operations, including performance monitoring and improvement. For instance, I expect that Health NZ and the Māori Health Authority will prioritise the implementation of a transformative commissioning approach that seeks to address inequities and improve access for vulnerable communities, such as Māori, Pacific and disabled people.

    c. People: staff are transferred to their new employers and interim boards, executive arrangements and key leadership positions are in place. This should include ensuring appropriate diversity and representation in those positions from Day 1, including Māori and Pacific leadership. Not all positions will be appointed at Day 1: for other roles, recruitment strategies will have been developed to set the pathway to permanent appointments.

    d. Machinery of government artefacts: the initial two-year Government Policy Statement has been developed and the interim New Zealand Health Plan and initial New Zealand Health Charter are developed ready for approval by the incoming boards; s9(2)(f)(iv) [redacted] Governance and accountability arrangements are in place flowing from the Government Policy Statement, including requirements for necessary data and information for monitoring.

12. For the workforce and the public, Day 1 should entail minimal disruption to services and day-to-day working. However, the early stages of implementation will provide an important opportunity demonstrate early wins, and reset expectations around culture and behaviours.

Transfer of functions:

13. In order to be ready for Day 1, interim agencies will need to have designed and tested their core functions and processes. To support this, functions will be transferred progressively from the Ministry of Health to the interim agencies over this period to incrementally expand their remit and build towards their full set of responsibilities.

14. The transfer of functions to interim agencies is not only a pre-requisite for effective preparation but is also an opportunity to take early steps towards the system's future leadership, culture and operating model. This should also help to address risks highlighted by the health sector regarding the loss of talent in key areas, by providing greater certainty around the structures within Health NZ and the Māori Health Authority.

15. Determining how and when such transfers should occur will be critical to their effectiveness and minimising the chances of disruption. There are a number of conditions that should be

met to ensure that the timing of the transfer is appropriate, including that the "giving" environment and the "receiving" environments are well prepared and that there are appropriate leadership and resources is in place.

16. When these conditions are met and how they are transferred will vary for different functions. For instance:

    a. s9(2)(f)(iv) [redacted]

    b. Public health functions are more complex and may not be transferred together; in particular I expect that COVID-19 functions should not transfer whilst the risks of the pandemic remain high.

17. I recommend Cabinet authorise these decisions to be made in consultation with Ministers, based on an assessment of readiness at the time.

Three-year plan:

18. The first three years of the new system following Day 1 will be the critical period to build, refine and consolidate new functions as the entities work towards their intended final state. This will be important for:

    a. Health NZ, the Māori Health Authority and the Ministry of Health to adapt to new ways of working and reshape structures from today's health system (including DHB staff and structures, and current Ministry structures) to be fit for purpose for the future;

    b. entities to develop and refine their approaches to partnership and joint working in their respective functions, including at regional and local-level, to act as a single system;

    c. future health agencies to have time to undertake detailed work to ensure quality planning, commissioning and strategy for our future health system, such as developing new tools, modelling and frameworks to manage hospital network demand, workforce pressures, and locality co-commissioning arrangements; and

    d. designing and delivering key frontline initiatives in priority areas, as funded through Budget 22/23 and future budget cycles.

19. The first two years in particular will be crucial to development. I expect that these will be supported by a two-year Government Policy Statement that sets priorities and requirements for the new system, and an interim two-year New Zealand Health Plan. Both of these should reflect the nascent state of the reformed system and the need to both refine functions, processes and ways of working, and to continue to improve service delivery and outcomes, with a particular focus on initial priority areas. The interim Health Plan should also act to signal the work programme for the production of the first full Plan.

20. The third year (FY2024/25) will then represent the first 'full' year of the future health system's operation. 1 July 2024 is when the first full, funded New Zealand Health Plan is expected to come into effect. This will be a major milestone for the future system, providing clarity of objectives, requirements and funding, and setting expectations for the ongoing improvement in performance and operation of the system.

Recommendations

21. It is recommended that you note the contents of this aide-mémoire.

NOTED
To Hon Andrew Little Minister of Health
Date: / /

pp.

From Stephen McKernan

Director, Health Transition Unit

Appendix A: Two-page summary of Cabinet paper

APPENDIX A

Summary paper: Update on plans for implementation of health reform

1. Cabinet has agreed to a bold and ambitious reform programme for our health system to improve the quality, consistency and equity of care for New Zealanders. Work is now well underway in the Transition Unit, Ministry of Health and with other key agencies to take forward design and development work and achieve critical early milestones.

2. There has been significant progress since the announcement of the reforms, in particular in relation to policy and legislative design, early establishment of interim entities, and stakeholder engagement. My assessment is that the programme remains on track to deliver the reforms by July 2022. Key elements of progress include:

Milestone	Progress
Establishment of interim agencies (interim Health New Zealand and interim Māori Health Authority) [September 2021]	• Undertaken recruitment process to identify members of interim boards (Section 11 committees) of agencies, for APH approval. • Letters of expectation are being prepared to set out Ministerial requirements for the agencies. • Departmental agency agreements are under development to set the working relationship with the host agency (the Ministry of Health).
Introduction of the Health Reform Bill [September 2021]	• Secured Cabinet agreement to majority of policy decisions for the Bill [SWC-21-MIN-0107 refers]. Some significant issues remain: including legislating for Te Tiriti o Waitangi and the Māori Health Authority. • Drafting is ongoing to develop the Bill for agreement. Approval for introduction will be sought through LEG on 22 September.
Detailed design of the system operating model [Ongoing]	• The "discovery" phase is underway to develop locality prototypes, to identify existing practice and learning. • Programmes have been established to accelerate initial development of the interim NZ Health Plan, NZ Health Charter, and a commissioning framework for Health NZ and the Māori Health Authority.
Engagement and communications [Ongoing]	• A major programme of engagement is underway with stakeholders, including DHBs, health providers, disability sector representatives, unions, colleges and workforce representatives, amongst others. The Steering Group led by Tā Mason Durie continues to meet regularly.

3. As previously advised to Cabinet, there is a range of systemic and programme risks associated with reforms of this scale. The nature and likelihood of these risks remains

unchanged. The approach to implementation is designed to mitigate risks so far as possible; however, the significant challenge of the timetable for reform remains, and should risks materialise in a way that affects the timetable to July 2022, alternate pathways will be available to ensure that the direction of reform is maintained.

4. I will continue to advise Cabinet on the progress of reforms and attendant risks over the coming months. I recommend at least quarterly updates; and in addition to these regular checkpoints, I propose that Cabinet take a formal decision to confirm the commencement date of 1 July 2002 in advance of the legislation being passed, based on an assessment of readiness at the time. I expect this should take place around March/April 2022.

5. Day 1 for the reformed system is intended to be 1 July 2022, when the legislation will formally establish Health New Zealand and the Māori Health Authority, and disestablish district health boards and Te Hiringa Hauora/Health Promotion Agency. On this day, the new entities will assume their full range of statutory functions. This will not be the "final" version of the system agreed by Cabinet, but I expect entities will have developed initial or interim versions of key frameworks, processes and artefacts such as an interim New Zealand Health Plan, ready for approval by their incoming boards.

6. The pathway to Day 1 will require the interim agencies, established on 1 September 2021, to design and build the operating model for the new system and put in place the leadership positions and critical functions required. Over the nine months from September 2021, the interim agencies will need to build and test their process and ways of working. I expect this will include a need for planning, shadow arrangements and live operation of functions to ensure their readiness for Day 1.

7. To support the interim agencies, it will be necessary for specific operational and delivery-focused functions of the Ministry of Health to be transferred to the interim agencies during the period to July 2022, to allow for greater time for preparation. I also expect there to be a significant opportunity in transferring some functions earlier, so that interim agencies are able to advance actions to improve outcomes for people and build and demonstrate their leadership role to the health sector sooner.

8. The conditions and sequencing for the transfer of such functions should consider the risks and opportunities of each, including assurance that the interim agency is ready to receive functions and has appropriate leadership and processes in place. I recommend that decisions on transfers be delegated to the Minister of Health, in consultation with the group of Ministers for 'Tier 2' decisions previously agreed [SWC-21-MIN-0082].

9. Beyond Day 1, the critical period for development, refinement and consolidation of the new system model will be over the first two years. I anticipate setting an interim two-year Government Policy Statement and agreeing an interim two-year New Zealand Health Plan to set priorities and expectations, s9(2)(f)(iv) The third year (FY2024/25) will mark the first 'full' year of operation of the model agreed by Cabinet, and will include a full New Zealand Health Plan which sets costed forward plans for the system.

10. Over the coming weeks, further advice will be brought to Cabinet to secure final policy decisions for the Health Reform Bill and to agree the introduction of the legislation; and to agree critical settings related to funding arrangements for the future system. These decisions are critical elements of the pathway to delivering reform.