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

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

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 codes:

- section 9(2)(a), to protect the privacy of individuals;
- section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials;
- section 9(2)(g)(i), to maintain the effective conduct of public affairs through the free and frank expression of opinion; and
- section 9(2)(h), to maintain legal professional privilege.

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

Aide-Memoire

HEALTH REFORMS: IMPLEMENTATION AND TRANSITION CABINET PAPER

To	Hon Andrew Little, Minister of Health	**Report No**	DPMC-2020/21-986
From	Stephen McKernan, Director, Health Transition Unit	**Date**	20/05/2021

Purpose

1. This aide memoire provides you with supporting points for the Social Wellbeing Committee paper on the implementation and transition arrangements for the health and disability system reforms. This paper is scheduled to be discussed at Social Wellbeing Committee on Wednesday 23 June, and Cabinet on Monday 28 June.

2. A 2-page summary of the Cabinet paper is attached at the end of this aide memoire (Appendix B), to support consultation on the paper.

Supporting points

3. **Overview of the new system operating model:**

   a. At the end of March, Cabinet agreed the new operating model for the health and disability system. There are four major areas of change:

      i. The Ministry of Health will be more focussed on its core role, setting strategic direction, developing national policy, responsible for regulation and ensuring financial sustainability. The Ministry will continue to be led by the Director-General. The Ministry will no longer be a direct funder or commissioner of services.

      ii. The 20 district health boards, and their subsidiaries, will be consolidated into Health NZ. Health NZ will be the operational leader of the system, and will run hospitals and commission primary and community health services. It will inherit the commissioning functions within the Ministry.

      iii. A Māori Health Authority will be established, and will have the power to directly commission health services for Māori. It will partner with Health NZ in other aspects of the health system, including co-commissioning some services, and will work with the Ministry on strategies and policies.

      iv. A new public health agency, housed within the Ministry, will lead public health strategy, policy, analysis and monitoring. It will work with a new national public health service,

housed within Health NZ, comprising the 12 public health units across the country and health promotion functions from the Health Promotion Agency.

4. Overview of implementation:

a. These reforms are large and complex, both in terms of the scale of organisations and people affected, and the scale of transformation required to fully achieve our future vision for health.

b. The implementation approach has been developed with pace in mind; the sector has been operating in a state of uncertainty since the Health and Disability System Review was announced three years ago, and I intend to move as quickly as practical.

c. The reforms are expected to take three to five years to fully implement.

d. The structural changes, mainly establishing the new entities, building national and regional layers of operational leadership and putting in place the machinery to support the new entities will be prioritised and progressed over the next 12-15 months.

e. I expect the new legislation, which will give effect to these new structures, will come into effect on 1 July 2022.

5. Transitioning to a new system:

Transition arrangements

a. As agreed by Cabinet in March, a key feature of the transition to the new structures is the establishment of the interim Health NZ and the interim Māori Health Authority. I will also be establishing two section 11 committees, to oversee and provide me with advice on the establishment of these entities. Each committee will have eight members and will cover a range of expertise, including hauora Māori, managing and governing large operational organisations, and clinical expertise. I am currently seeking nominations for the committee overseeing the establishment of Health NZ.

b. To ensure that the interim Māori Health Authority committee embodies the intended purpose of the Authority, and is able to meaningfully advance the Authority's agenda of tino rangatiratanga and partnership between Māori and the Crown, I intend that Māori lead the process to shortlist interim committee members. Sir Mason Durie will lead a Steering Group within the Transition Unit, made up of experts in hauora Māori and Māori governance, to develop a shortlist of appointees for me to consider.

c. During the transition period, the Ministry of Health and DHBs will retain their statutory obligations under current legislation, unless explicitly delegated to a new entity using existing powers. This was a key lesson from recent implementations of reforms, and will give the interim entities time and space to prepare for their future roles without immediately being burdened with the pressures and challenges in the system today.

Transition phases

d. The transition to the new operating model will take place over 4 phases:

   i. Establishment (Now – September 2021): to finalise detailed design of the system, in partnership with the sector and New Zealanders where practical. The new interim entities will be stood up in this phase, and appointments to the section 11 committees will be finalised and in place.

ii. Preparation (September 2021 – March 2022): readying entities (existing and new) for a transition and preparing the operational settings for change.

iii. Transition (March – July 2022): final preparations for change, including finalising core accountability documents.

iv. Consolidation (July 2022 onwards): wind down the transition to new entities, and focus on supporting those entities to continue with their transformation and shape our health system towards the goals of reform.

v. Additional information on these phases is contained in Appendix A.

6. Risks:

a. Given this is a large and complex reform, there are a number of risks as we transition to the new model. I have categorised these as transition risks, which are risks to service provision or the operations of the sector that result from the change to new structures, and programme risks, which are risks in meeting the ambitious reform timelines.

b. The main transition risks include maintaining clinical and financial performance through the sector, maintaining momentum and delivery of other government priorities such as the COVID-19 response, minimising loss of talent through the sector and clarity of roles and accountabilities during the transition.

c. To manage the transition risks, I expect to continuously monitor these risks throughout the implementation period, and receive regular reporting from the Transition Unit and Ministry of Health to ensure they are adequately managed. I anticipate that a range of tools will keep these risks manageable:

i. A proactive approach to communications, particularly for the sector, which will be supported wherever possible by partnering with unions and other professional bodies to ensure staff are kept abreast of potential impacts on their employment.

ii. A clear, simple approach to maintaining accountabilities and responsibilities during the transition period – with the Ministry of Health and DHBs retaining existing responsibilities until 1 July 2022, unless otherwise explicitly delegated under direction from the Minister of Health.

iii. Clear expectations on DHB chairs and chief executives to sustain system performance, including financial performance, with ongoing, enhanced monitoring by the Ministry of Health throughout implementation. This includes regular guidance to chairs and chief executives on expectations for operational decision-making and planning during the transition period (including adjusted delegations to reflect these expectations).

iv. Building new system functions, including national and regional leadership layers, within interim entities (particularly interim Health NZ) prior to 1 July 2022 to ensure that the future system can sustain service from 1 July, while being rapidly reconfigured to work in a more cohesive, effective way.

v. Making dedicated change support available to enable DHBs to prioritise the necessary skills and capacity to deliver transition plans for the transfer of functions to Health New Zealand.

vi. Using existing legislation – such as the Health Sector (Transfers) Act – to simplify legal dimensions of moving assets and staff to new entities.

d. The programme risks are predominantly associated with the timetable for the delivery of the necessary policy decisions, operational design and legislation. I will be returning to Cabinet with further advice in June on the detailed design of the system operating model and the key policy decisions relating to the new entities and their accountabilities, to inform the Bill.

e. Partnership with Māori in the design of the Māori Health Authority is essential to deliver the right design to match the functions and aspirations for the entity. It is a critical element for the legislation, and I will need to allow enough time for meaningful, open and constructive engagement while maintaining necessary pace to draft provisions in time for introduction of new legislation in September.

f. Officials from the Transition Unit are developing mitigations and options for dealing with potential delay in confirmation of the core form and functions of the Māori Health Authority. I will monitor these risks and advise Cabinet accordingly.

7. Major decisions to come:

a. The function, role and design of the Māori Health Authority, including the governance and process of Board appointments. This work is subject to in-depth engagement with iwi and the Māori health sector, coordinated by a steering group led by Sir Mason Durie.

b. Detailed mapping of accountabilities, planning and funding cycles: the roles of the Government Policy Statement, New Zealand Health Plan and other key documents in setting direction and supporting accountability, underpinned by a strengthened monitoring and stewardship model.

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

d. The role and placement of other entities within the broader health and disability system operating model (outside of the core delivery spine), such as Pharmac, Health Quality and Safety Commission, Cancer Control Agency, NZ Blood and Organ Service.

e. The desired early priorities for the health system, as expressed in a future Government Policy Statement, for example requirements to improve access, reduce waiting times, expand service coverage or set minimum expectations in particular areas or for particular groups. There will be choices for Ministers on how and where to prioritise investment in improving the service offer to the public.

f. Early actions and priorities on other critical enablers that are necessary to give effect to the reforms and strengthen the resilience and sustainability of the health system.

Recommendations

8. It is recommended that you note the contents of this aide-memoire.

NOTED
From Stephen McKernan Director, Health Transition Unit To Hon Andrew Little Minister of Health
Date: / /

Appendix A: Additional points on the transition phases

Appendix B: 2 page summary paper

APPENDIX A

Additional information on the transition phases

1. The Establishment phase will focus on finalising detailed design of the key aspects of our future health system, establishing interim agencies and Section 11 committees, and culminate with the anticipated introduction of legislation to give effect to the reforms.

    a. confirming key policy and design choices for settings beyond the system structure, such as funding and investment, locality design, consumer voice, workforce, data, digital and capital management

    b. engaging with people, including the health sector, in key areas for detailed design; including the design of the Māori Health Authority, the design of localities, the New Zealand Health Plan, the Health Charter, and how we give effect to consumer voice in our future health system

    c. identifying key leaders for interim Health NZ and the Māori Health Authority, and setting clear priorities for their respective work programmes; and

    d. preparing enabling legislation for introduction in September 2021.

2. The Preparation phase will focus on readying entities – existing and new – for transition and preparing the operational settings to make sure the transition is seamless. This will coincide with Select Committee consideration of the reform Bill.

    a. progressing from detailed policy design into operational design of our future health system, so that we have an understanding of how new mechanisms – such as planning, commissioning and service delivery – are working to meet our goals for the health system. This will lead to the design of the detailed operating model for Health New Zealand and the Māori Health Authority

    b. undertaking the redesign of the Ministry of Health's critical functions to fulfil the strengthened role of chief system steward agreed by Cabinet, and taking initial steps to build capacity and skills in key areas

    c. transitioning key functions from existing health agencies, particularly the Ministry of Health, into interim Health NZ and the interim Māori Health Authority as appropriate

    d. developing the initial Government Policy Statement, to provide clear directions, requirements and priorities for the future system to coincide with the establishment of new entities

    e. developing a unifying leadership layer for our current system, to support existing functions to work together better and start to get ready for the shift to new entities and ways of working (e.g. ensuring national and regional connections between similar functions in different DHBs)

    f. supporting the Bill through the legislative process; and

    g. delivering Budget 21 initiatives to prepare for reforms, including locality prototypes and capability-building initiatives.

3. The Transition phase will focus on final preparations for transition, to ensure that our health system continues to perform from day 1.

a. finalising the operational details of how responsibilities, powers and services will shift to Health NZ and the Māori Health Authority from 1 July 2022, with a focus on ensuring continuity of service

b. finalising new arrangements, structures and relationships between agencies, including key priority and direction-setting institutions like the first Government Policy Statement and an interim New Zealand Health Plan

c. planning agencies' forward work programmes to achieve change objectives from 1 July 2022

d. passing the necessary legislation ready for commencement; and

e. setting Health NZ and the Māori Health Authority budgets.

4. The Consolidation phase will wind down the initial transition to new agencies, and focus on supporting those agencies to shape our health system towards the goals of reform.

a. adapting existing system structures to work together more cohesively in pursuit of system goals – for example, bringing together DHB-by-DHB teams which share functions into coherent national teams; and

b. embedding new ways of working to deliver on our system outcomes, such as shifting primary care networks to operate as localities, and developing the first full New Zealand Health Plan.

APPENDIX B

Summary paper: Implementation and transition arrangements for the health system reforms

1 Cabinet has agreed to a bold and ambitious reform programme for our health system. It will take time for these reforms to have their full impact; but I intend to move quickly to get enabling settings in place – both to minimise disruption, and to ensure our system can get underway realising the benefits of reform. While it is ambitious, I expect that by 1 July 2022, subject to legislation, the core structures and functions of our future health system will be in place.

2 Over the coming year, our system will continue to perform much as it does today. The Ministry of Health and District Health Boards (DHBs) will sustain access to care and, importantly, the health response to COVID-19, while an interim Health NZ and interim Māori Health Authority come into being as departmental agencies to build the final forms of both entities and prepare for a new approach to system leadership. This preparation will facilitate a clean transition to our future way of working from 1 July 2022, while ensuring we do not just replicate our current health system under new banners.

3 Detailed planning is now underway to support the transition to the future health system. I envisage that initial implementation will take place in four broad phases:

3.1 Phase 1: Establishment (Now – September 2021). This will focus on finalising detailed design of the key aspects of our future health system, establishing interim agencies and Section 11 committees, and culminate with the anticipated introduction of legislation to give effect to the reforms.

3.2 Phase 2: Preparation (September 2021 – March 2022). This will focus on readying entities – existing and new – for transition and preparing the operational settings to make sure the transition is seamless. This will coincide with Select Committee consideration of the reform Bill.

3.3 Phase 3: Transition (March 2022 – July 2022). This will focus on final preparations for transition, to ensure that our health system continues to perform from day 1.

3.4 Phase 4: Consolidation (July 2022 – Onwards). This will wind down the initial transition to new agencies, and focus on supporting those agencies to shape our health system towards the goals of reform.

4 Delivering a programme of this scale will naturally create a number of risks that will need to be monitored and managed. Some of these risks arise from, and are exacerbated by, current instability in the health system, which is characterised by variable health outcomes, significant financial deficits, substantial pressure arising from demand for services, the COVID-19 response and gaps in workforce skills and capacity. In particular, the following risks will be actively monitored and managed through the transition to new structures:

4.1 Financial performance through the sector

4.2 Care provision and clinical performance

4.3 Disruption to other government priorities, including reform to mental health services and the COVID-19 response, or loss of momentum to in-flight projects

4.4 Staff attrition and loss of talent

4.5 Unclear accountabilities where functions are moving between entities.

5 It will be critical to plan to mitigate system risks and avoid disruption to core business through the way in which the implementation is designed and delivered. I expect to continuously monitor these risks throughout the implementation period, and receive regular reporting from the Transition Unit and Ministry of Health to ensure they are adequately managed. I anticipate that a range of tools will keep these risks manageable:

5.1 A proactive approach to communications, which will ensure that the health sector and communities are well-informed about progress towards change, remain motivated by the opportunities of reform, and are not surprised by changes which will impact them directly. This will be supported wherever possible by partnering with unions and other professional bodies to ensure staff are kept abreast of potential impacts on their employment.

5.2 A clear, simple approach to maintaining accountabilities and responsibilities during the transition period – with the Ministry of Health and DHBs retaining existing responsibilities until 1 July 2022, unless otherwise explicitly delegated under direction from the Minister of Health.

5.3 Clear expectations on DHB chairs and chief executives to sustain system performance, including financial performance, with ongoing, enhanced monitoring by the Ministry of Health throughout implementation. This includes regular guidance to chairs and chief executives on expectations for operational decision-making and planning during the transition period (including adjusted delegations to reflect these expectations).

5.4 Building new system functions, including national and regional leadership layers, within interim entities (particularly interim Health NZ) prior to 1 July 2022 to ensure that the future system can sustain service from 1 July, while being rapidly reconfigured to work in a more cohesive, effective way.

5.5 Making dedicated change support available to enable DHBs to prioritise the necessary skills and capacity to deliver transition plans for the transfer of functions to Health New Zealand.

5.6 Using existing legislation – such as the Health Sector (Transfers) Act – to simplify legal dimensions of moving assets and staff to new entities.

6 There will also be programme risks relating to the pace of implementation, in particular to the timetable for legislation to establish new entities by July 2022. Mitigations to this risk, including alternate approaches to legislation, are being considered to ensure that the overall reforms remain on track.

7 These reforms, delivered well, will improve our system's performance. But they will need to be followed by consequent improvements to access, models of care, ways of working, cultures, and system enablers (like workforce and digital infrastructure) to fully realise their potential. I anticipate that these wider benefits will take between three and five years to realise as new health agencies find their feet and gradually strengthen the services we have today.

8 I will take a range of further decisions to Cabinet over the coming months, including on policy and funding settings for our future health system, the design and form of the Māori Health Authority (subject to the progress of engagement with Māori), and to commence

a legislative programme to allow reforms to proceed. This will include Budget 2022/23 decisions about the full costs of the system of tomorrow.