

The Treasury

Budget 2011 Information Release

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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Date: 13 August 2010

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THE TREASURY

Kaitohutohu Kaupapa Rawa

To: Minister of Finance

AIDE MEMOIRE: MEETING WITH MINISTER OF HEALTH TO PREPARE FOR HEALTH'S ECC PRESENTATION IN SEPTEMBER

This is a briefing note for your meeting with the Minister of Health (8am on Tuesday 17 August) to discuss preparations for the Ministry of Health's presentation to Cabinet Expenditure Control Committee on 14 September.

We propose that you use this meeting to communicate your expectations about the focus of the Ministry's presentation and the committee's discussion.

The Minister of Health and health officials will outline for you how they are approaching the ECC presentation. You will be able to request that he redirect or commission further work if needed to meet your expectations for the ECC discussion.

Key focus – future steps, or current progress with implementation?

To make most effective use of the Committee's time, we recommend that the presentation and discussion focus mainly on options to manage to a lower expenditure track, and the *next steps* in health sector performance improvement, including the conditions required for the current round of MRG reforms to bear fruit.

This would focus on two of the issues listed in your 25 May letter to the Minister of Health requesting the Ministry's presentation:

- policy and operational options to continue managing Vote: Health expenditure (capital and operating) within future budget allocations significantly lower than in the recent past; and

[2]

This can build on a review of progress to date implementing the current reforms, but the emphasis would be a forward-looking one about future options and challenges. We understand that the Ministry of Health officials preparing for the ECC meeting also consider this the most useful area to focus the ECC discussion, [2]

You may, however, prefer to focus the discussion more on performance and issues "here and now" – with more detail on milestones, progress and expected results from current activity to implement the MRG reforms and other recent decisions. If that is your preferred focus for the ECC meeting, it will be important to emphasise this at Tuesday's meeting, as it could require significant reworking of the ECC paper the Ministry is now drafting, and a different mix of attending officials.

Other issues that your 25 May letter asked to be covered in the Ministry's report could be handled in separate written reports to the committee or to joint Ministers:

| Issue | Comment and Suggested Approach |
|---|---|
| <ul style="list-style-type: none"> Key risks to financial projections for the sector, and strategies for managing these risks – especially DHB deficits | <p>This is a comparatively short-term focus, and is largely covered by the ongoing Crown Entity monitoring reports.</p> |
| <ul style="list-style-type: none"> Productivity gains and/or unit cost reductions that have been achieved in back office functions, programme administration and/or programmes themselves, and how the resources released have been redeployed | <p>Historical information (eg Budget 2010 reprioritisation) is already available, and it is too early to report measurable outcomes from some current work such as the new Capital Investment Committee process and establishment of the Shared Services organisation.</p> |
| <ul style="list-style-type: none"> An overview of the Ministry's financial management capability, with a view to providing ECC with assurance that the Ministry knows its business and underlying cost drivers | <p>While this is important, the Ministry's own expenditure is a relatively small part of the bigger picture and not critical to managing future health cost pressures.</p> <p>A separate written report could address this issue without inclusion in the ECC presentation, or a later report to joint Ministers could be provided.</p> |

We understand that the Ministry of Health is well advanced in developing papers for the ECC meeting. We have seen an early draft paper they shared with us and provided feedback on this. The Ministry will be looking for guidance from Ministers on where to focus their work over the next year in developing options for policy reform, reprioritisation and savings.

Key issues that you may wish to ask the Minister and Health officials to be prepared to discuss with the committee include:

[2]

You may also wish to discuss with the Minister of Health the appropriate mix of officials to attend, including whether the presentation should be led by the Chair of the National Health Board, or by the Ministry of Health's senior management team.

John MacCormick, Senior Analyst, Health
Chris Bunny, Manager, Health, Sector Performance,

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