

Health Sector Framework

An Outline of the Intention of
Legislative and Regulatory Changes

10 September 2010

INTRODUCTION

The Government has introduced the New Zealand Public Health and Disability Amendment Bill to help meet the many challenges faced by the public health and disability system and the objective of “better, sooner, more convenient” health care.

The changes in the Bill and its supporting regulations are designed to ensure smoother, more effective, less prescriptive and better balanced planning across the sector at national, regional, and district levels. They are intended to make compliance simpler for district health boards and to deal with many of the issues DHBs have been raising for some time.

They are intended to provide the statutory framework for the National Health Board and District Health Boards to establish a more deliberate approach to deciding which services should be planned, funded and provided at the national, regional and local levels and put a much stronger emphasis on DHB collaboration to plan health services regionally.

This document sets out the National Health Board’s initial view of the planning, funding and accountability framework required to better achieve the objectives set out above. It provides an opportunity for the sector to engage with us as we refine this view and implement the framework, once legislative changes are decided by Parliament. In order to support the intention of this Bill and to assist the health sector, and in particular, District Health Boards, to meet government expectations, this document:

- Describes the new planning, funding and accountability framework and how it will work following the introduction of the Bill
- Communicates the National Health Board’s approach to the elements of service planning, funding and accountability working together to deliver a better and more sustainable public health service
- Describes the key roles, responsibilities and processes envisaged by the framework.

The document is presented in two main parts:

Part 1 explains the legislative context; the new planning framework to support these changes, objectives for each of the three key elements of the framework; and roles and responsibilities of the different groups within the health and disability system.

Part 2 describes each of the planning, funding, and accountability dimensions of the framework in more detail.

PART 1

Legislative Changes

In order to support a more unified public health and disability sector the Government has initiated the changes to the New Zealand Public Health and Disability Act set out below. The aim of the changes is to provide a legislative environment more conducive to a high performing system. The legislation includes:

- Less prescription about the content and format of the planning documents that DHBs need to produce, and the process by which they produce them. For example, there will no longer be a specific reference in the legislation to a requirement for District Strategic Plans (and, while annual plans will still be required, the Bill is less prescriptive about their form and content, which allows for a reduction in the duplicated effort in producing both DAPs and the Statement of Intent). Specific details about the content, format and process of planning documents will be set out in Regulations
- A statutory framework for DHBs to collaborate in planning and coordination of resources at district, regional and national levels in order to deliver improved performance across the health system as a whole
- A new statutory power for the Minister of Health to direct all DHBs to support government policy relating to enhancing health and disability outcomes for people, or enhancing efficiencies for the health system. The Minister of Health will be able to use these powers to support the configuration of services at national, regional and district levels and to support joint administration, support and procurement activities
- New statutory powers for the Minister of Health to ensure DHBs engage in dispute resolution, under a clear and transparent framework to be set out in regulations
- A new statutory power for the Minister of Health to appoint any member of a DHB Board to the Board of one or more DHBs. This includes elected members of Boards
- DHBs will need Ministerial approval to establish new Board committees in addition to those that they are already required to have on community and public health, disability support and hospitals.

The framework detailed in this document is designed to support these legislative changes in a way which makes them effective for the sector.

Framework Objectives

Service Planning

In order to create a more unified health and disability sector which is clinically and financially sustainable to meet the needs of New Zealanders, service planning will need to:

- Determine how the ongoing health and disability needs of a population can be best met through the effective allocation and deployment of resources
- Provide increasingly seamless care across community, primary and hospital settings
- Have a longer-term focus: over a very long term (20 years), supported by scenarios tested in medium-term (5 year to 10 year) strategic plans at the national and regional level which in turn provide the basis for annual plans at the district, regional and national levels
- Be less prescriptive, more relevant to the people that have to deliver services and impose less of a compliance burden on them.

Accountability

The National Health Board wants planning and accountability documents, performance reporting and monitoring, and intervention to:

- Encourage DHBs to behave in a way that underpins strong service performance, especially with on-going innovation that enables more and higher quality services to be provided for the available budget
- Enable early intervention from the National Health Board that will help DHBs and other providers stay on track to meet the service, financial and other objectives they have to meet; especially the Government's health targets and other expectations spelled out each year in the Ministers "Letter of Expectations" to DHBs
- Reduce the compliance burden that reporting, monitoring and intervention imposes on providers
- Provide clear roles and responsibilities and clear measures of achievement
- Provide information that is accessible by, and useful to, service users and taxpayers and their representatives.

Funding

The new legislative and regulatory regime is designed to encourage more innovation in the way we fund today's services and also in the way we invest in capacity to deliver tomorrow's services, for improved health and disability outcomes. To accomplish this the health sector should:

- Fund services in a way that encourages providers to maximise value for money
- Shift to a greater emphasis on funding the outcomes Government and people want and greater freedom for providers to deliver those outcomes, within the resources available
- Give greater recognition of the role that individuals and their families/whanau can play in staying healthy and managing their healthcare needs
- Ensure capacity funding decisions are driven by longer-term service needs and reflect what is sustainable over that longer timeframe
- Encourage the seamless provision of services to patients.

Planning Framework

Long Term Health Sector Plan

The National Health Board will oversee the development of a Long Term Health Sector Plan as an important step in developing a more integrated health and disability support system.

The plan will provide a high level direction over a very long term (20 years), and describe the challenges the system faces and options for models of care that offer solutions and implications for the way services are configured in the future.

This plan will guide future decisions regarding service configuration and investment at all levels of the system and support DHBs in their regional and local planning.

The National Health Board will use this long term planning to inform its reviewing of national, regional and district plans.

Service Planning

National

A range of national services will be planned and/or funded by the National Health Board where doing so helps:

- secure sustainability
- improve quality
- improve efficiency
- meet Government objectives.

An example of these services is the highly vulnerable clinical genetics service.

Regional

Regional service plans will be central to the DHBs' delivery of health and disability services and at the heart of DHBs' increased collaboration to plan services.

Regional service plans will deal with service strategy for the region and lay out what services over time will be implemented collaboratively. They will need to include implementation plans for those services.

Remaining services will be planned and delivered at a district level. The National Health Board will engage with DHBs to assist in this process and communicate any concerns.

Regional service plans will be signed by contributing DHBs and subject to the Minister of Health's agreement, ensuring clear accountability for delivery.

Flexibility will be built in so that services can be planned in collaborative groupings that make good clinical sense:

- with one or more DHBs from outside their region, and or
- with a subset of DHBs within the region.

District

An annual plan will still need to be produced at the district level and that will need to incorporate a DHB's responsibilities at the regional level and the services it is delivering at the district level. The annual plan will continue to be approved by the Minister of Health.

It is proposed that DHBs will produce a single annual plan by integrating the Statement of Intent with the Annual Plan. To reduce administrative cost and reduce duplication and confusion, the resulting package will be managed with one process to provide one logical, integrated and coherent plan and set of performance information.

There will be no district strategic plan as strategic planning will be dealt with at the regional level, via the Regional Services Plan.

Supporting Planning and Accountability

To support the smooth and effective functioning of this suite of planning and accountability documents:

- The National Health Board will take flexible approaches to funding. Funding and purchasing methods need to be adopted that will more effectively achieve Government goals for services. The improvements sought vary from service to service and the most suitable funding and purchasing method will be selected to fit.

DHBs are expected to collaborate effectively. There may arise occasions where they can't reach agreement, which will be addressed through a dispute resolution mechanism.

Standard Tools and Methods for Planning

The National Health Board will prepare resources, such as planning templates and guidelines to assist DHBs to reduce the costs of planning and to help integrate planning at different levels of the sector.

The use of common approaches is intended to lead to more robust decision making through facilitating planning and comparison across professional and organisational boundaries, and the assembly of common data sets for planning and measurement through common definitions and classifications.

This should also make the process easier to fulfill and more predictable for DHBs.

PART 2

Planning Requirements

The following section outlines the framework for national, regional and district planning in greater detail.

Principles to determine service planning location

Services should be planned, funded and provided at the national, regional or district level based on the size of the population best able to ensure the future clinical and financial viability of a safe, quality public health and disability service.

Services currently most vulnerable to service disruption due to, for example, lack of suitable permanent workforce of sufficient size, will be considered first for national or regional planning. The following factors should be taken into account when deciding where a service should sit:

- Provision of a unified service with effective service integration across all providers, especially community, primary and secondary
- Best use of workforce and capital, planning and funding capability to minimise administrative and contracting overhead
- Minimise risk and disruption and provide for longer-term service continuity
- Be responsive to distinctive local needs.

Designation of new National Services

The National Health Board will advise the Minister of Health on services where patient care and access and clinical and financial viability can be improved by:

- A national-led service improvement programme
- National (rather than a district or regional) planning arrangement
- National (rather than district or regional) planning and funding arrangements.

These services may need to be supported by a national clinical network.

The National Health Board will establish a cross-sector National Service oversight group of senior clinical and non-clinical decision-makers to work with DHBs on the designation of new national services.

There may be occasions when the Minister determines that the urgency for National Health Board-led national action may over-ride the above process,

leading to a mid-year change. These cases will be dealt with through a variation to the Crown Funding Agreements with DHBs following sector consultation.

New National Services in 2010/11

The National Services proposed for development during 2010/11 focus on a small number of services, to ensure that tangible progress is achieved, and to enable the National Health Board to refine its National Service processes and capability.

These services are:

- clinical genetics
- a number of paediatric sub-specialties

In addition to the proposed National Services, there may be services that the National Health Board believes require national level leadership to lift DHB performance, but that are not currently seen as requiring the additional step of shifting planning and funding accountabilities.

Services currently identified are:

- Cardiac Surgery
- Paediatric Oncology
- Major Trauma
- Neurosurgery.

These will be managed through a National Health Board-led National Service Improvement Programme and would link strongly with the National Health Board's role in working with DHBs to strengthen their performance.

(Neurosurgery had been promoted as a possible national service for 2010/11, but at this time is being considered as a more suitable candidate for a national service improvement programme.)

National Service Plans

Where planning and/or funding responsibility for services is held centrally the National Health Board will lay out the:

- future vision for these services
- strategy for getting there
- actions and operational detail that will deliver on that strategy and
- who will be responsible for planning and funding the service.

Regional Service Plans

From 2011/12 onwards there will be two parts to regional service plans:

- a strategic section with a five to 10 year horizon
- an implementation section, year one with a plus two out years horizon.

Strategic Section

Medium to long term planning is necessary to help DHBs develop the appropriate capacity due to long lead times. Regional service plans will therefore outline where the region aims to be in five to 10 years. It will include current and future population characteristics and will plan the models of care and the configuration of services across the region that will best ensure service viability and financial affordability, and will guide resource allocation and service provision decisions at the regional and district level.

The existing regions, Northern, Midland, Central, and South Island will serve as an organising and decision-making structure for regional planning. However, it is important to preserve the flexibility for DHBs to plan services:

- with one or more DHBs from outside their region, and/or
- with a subset of the DHBs within the region.

This would be where there are good clinical services, or economic reasons to do so. For this reason, regional service plans will need to outline clearly the DHBs involved in each aspect of the plan.

As strategic planning will be undertaken at a regional level, DHBs will no longer be required to produce District Strategic Plans, reducing the previous 20 DHB strategic documents to four.

The strategic section of regional service plans should cover, among other things:

- An outline of the strategic environment including Government goals, national service and infrastructure strategies and plans. This would include an outline of key regional strategic issues in health and disability service delivery, and in addressing Maori health (in line with the legislative objectives and functions of DHBs on improving Maori health)
- Current and future regional population characteristics including demography, socio-economic determinants, health status, and demand for health services in the region
- Summary of current service delivery configuration and operating requirements across the region (for example service activity and access levels, operating cost, workforce requirements, capital, and IT requirements)
- An analysis of options of future models of care and service delivery configuration across the region, including quality and safety considerations, and workforce, operating cost, facility and IT needs

- Long-term (5-10 years) strategic intentions.

Implementation Section

Regional Service Plans will include Implementation Plans for those services that are to be planned collaboratively.

DHBs will need to develop and agree these plans together.

The implementation plans would be detailed in year one and then have a diminishing level of detail for subsequent years (covering a 3 year period).

Implementation plans will:

- Be fully costed for the services that are the subject of the implementation plan and clear on how patient or service user pathways will be managed to ensure smooth transition of people to services according to their needs, and how the capital, workforce, and information technology / information system requirements to provide the service will be met,
- State how the implementation of the regional service plan will be governed and managed
- Contain collaborative performance outcomes and targets, including the monitoring and evaluation processes
- Specify the funding mechanisms and approaches for regional services and the methods that will be used to purchase the services
- Specify how the region will manage consultation needs across any proposed major service reconfiguration or change
- Cover risk management arrangements
- Lay out a regional dispute resolution process and how disputes between DHBs in the region will be managed.

Performance measures for collaborative services should be designed to encourage performance and sharing of responsibility at a collaborative level while ensuring that access is appropriately distributed among the collaborating DHBs. These measures will need to be designed as part of forming the implementation plans within regional service plans.

The National Health Board may ease requirements on individual DHB financial status where regional financial status is sound and where collaborative efforts may have come at a cost to individual DHBs.

Review of Regional Service plans

Regional services plan will be updated annually in response to progress or changed circumstances (for example Government priorities or a changed financial situation). Each DHB's contribution to the delivery of the regional service and implementation plans would then be incorporated in their annual plans.

2010/2011 Regional Plans

In the 210/11 DHB planning package the operational framework required regional service planning by DHBs. This was to enable regional collaboration to be reinforced through existing funding and accountability mechanisms in advance of any formal legislative requirements for DHBs to develop a regional service plan.

The Operational Policy Framework stated that all regions should submit initial draft regional plans to the Ministry by the end of September 2010. Priority was to be given in these initial regional plans to a 'minimum focus' on:

- Services that are currently vulnerable, or that are likely to become so during the period of the plan (as a result on workforce shortages, demand growth and /or funding issues)
- Services related to capital investment proposals that are expected in the next three years
- Improving clinical and financial viability/sustainability through reconfiguring services.

District Plans

Annual plan

DHBs will need to produce a single annual plan to the Minister of Health, Parliament and the public.

This annual plan will set out the operational focus for the coming financial year and describe how the DHB will be held to account for the delivery of explicit actions that relate to national plans (where relevant), and regional and district actions.

The plan will include:

- A clear demonstration of performance
- Strong explanation of linkages across funding, key actions and outputs, expected impacts and outcomes
- The key actions and outputs (linked to funding) the DHB will deliver in order to meet Government priorities, Health Targets, including its performance targets for all measures within the performance monitoring framework
- Service coverage / service change requirements, emerging policy or sector issues, Maori health or other sub-plan requirements
- Detailed outputs for which DHBs will be held to account, both as a funder of services for its population and as a provider of services
- Detailed financial budgets
- The actions the DHB will lead / deliver to support delivery of regional plans and where relevant, national service plans

- Its stewardship, as owner, of its assets, workforce, IT/IS, and other infrastructure needed to deliver its services.

Requirements for public consultation

There will be a new requirement for DHBs to consult where the Minister of Health considers that DHBs are proposing changes to service eligibility, access or the way services are provided that will have a significant impact on recipients of services, their caregivers or providers.

Where the Minister of Health directs DHBs to make significant changes to services, the Minister may also require DHBs to consult on how those changes should be made.

Consultation guidelines will be issued in the 2011/12 DHB planning package.

The National Health Board will consult regarding proposals for significant changes to national services.

Monitoring

Monitoring of national services will be through reports provided to the Minister of Health by the National Health Board and advice from the National Health Board.

Monitoring of DHBs will be through the National Health Board which will:

- monitor the development and implementation of DHB plans
- advise of potential delays in a plan's preparation and of any disagreements between DHBs
- advise on the potential need for intervention
- advise on membership of advisory panels.

Accountability

Individual DHBs will be accountable for planning and providing health and disability services at a regional or district level. They will be accountable for:

- Collaborating with other DHBs on the development of a regional service plan and agreeing to the final plan
- Ensuring their own annual plans are consistent with the regional and national plans (that is, there are neither conflicts nor gaps)
- Performing the actions specified as their responsibility in both the regional plan and their own district plan.

All DHB Chairs and Chief Executives of the region will be required to agree and sign regional service plans on behalf of their Boards. The plan must detail how its implementation will be governed and managed, including how member DHBs will manage performance, including their arrangements for support and assistance to each other in meeting the regional performance requirements.

Regional service plans will need to contain measures of performance against which achievement can be judged. They need to be objectively measurable, realistic and demonstrate linkage of outputs to outcomes and objectives of the plan. Where consistency across the country is important, DHBs will be required to participate in appropriate national processes to determine common performance measures.

The annual guidance (issued by the Minister) will provide criteria against which a plan will be evaluated and DHBs held accountable. These requirements relate to both the process for developing the plan and for the plan's contents.

Funding

Services need to be funded in a way that encourages providers to provide higher quality care to more people for each dollar spent. The National Health Board has been tasked with changing the funding of national services to meet these objectives and to encourage DHBs to be more innovative in the application of their allocated funding at regional and district levels.

The following approach will be used when selecting a funding mechanism for a national service:

- Services currently centrally purchased through a Ministry of Health NDE output class will continue with existing arrangements until a decision is subsequently made on its appropriate location
- If the service is currently funded by DHBs from their allocations, and the Minister determines (on the advice of the National Health Board) that there is likely to be a long-term need for central planning, the National Health Board may take over responsibility for both planning and funding the service. In this case the National Health Board will work with DHBs

- If the service is currently funded by DHBs from their allocations, and the Minister determines (on the advice of the National Health Board) that there is likely to be a short-term need for central planning (e.g. for less than three years), the National Health Board may consider taking over responsibility only for planning the service, with it continuing to be funded by DHBs, through an agreed mechanism.

The elements of the proposed funding system for DHBs are:

- Funding will continue to be allocated to all DHBs using the Population-based Funding Formula. DHBs will use this funding to provide or purchase services for their populations
- The way in which each DHB will pay its share of the costs of a collaborative service and the way in which they will collectively pay the provider of the service will be negotiated as part of the regional plan. For example, some regions may move from a fee-for-service basis to bulk funding arrangements. In other cases, where it is beneficial to do so, they may elect to use the Inter-District Flow framework.

The National Health Board will play an important support role in helping DHBs to identify appropriate funding methods and price structures and levels, particularly through the provision of relevant costing information and economic advice.

Dispute Resolution

Dispute resolution may be necessary for situations where DHBs cannot agree on the difficult and necessary decisions to safeguard the clinical and financial sustainability of the health system.

DHBs should endeavour to resolve any disagreements among themselves, and regulatory intervention should take place only when the consequences of not intervening are a material risk to the clinical and financial sustainability of the health and disability system.

Disagreements that threaten the timely preparation of plans to guide the future provision of co-ordinated health services would be an example of this.

In the event of a dispute between DHBs, which they cannot resolve between themselves, assisted negotiation or mediation will be the next step.

Entering mediation: Mediation may be initiated by either party to the dispute or by the Minister.

Choice of mediator: The President of the NZ Arbitrators and Mediators Society will nominate a mediator if the parties to the dispute cannot agree on one within 10 days.

If this mediation is unsuccessful the final step is binding arbitration. In contrast to mediation, the process will be set out in some detail, through regulation.

The main arbitration elements requiring regulation are:

Advisory panel: An advisory panel will be appointed to advise the Director General in arbitrating the dispute. Regulations will guide the selection of panel members.

Determination: The Director General of Health will make a determination on the dispute, following the provision of an advisory body's advice.

Publication of findings: The Director General will publish his or her decision.

Rights of appeal: The decision of the Director General will be final and there will be no right of appeal, except on grounds of due process, through judicial review.

ANNEX - THE NATIONAL HEALTH BOARD

Who are we and what do we do?

The National Health Board was established by the Government in November 2009, to improve the quality, safety and sustainability of health care, for New Zealanders.

The National Health Board was formed from a number of existing Ministry of Health departments, but with a fresh focus, approach and culture to address challenges facing the public health and disability sector and drive improvements in frontline health care through the creation of a more unified health and disability system.

Our approach

In its deliberations, the National Health Board will be guided by the following four Charter principles:

- *Everything we do must aim to improve outcomes, including reducing health disparities, for the users of the health and disability system within the resources available*
- *New Zealanders should continue to have affordable access to a strong public health and disability system which provides world class quality care*
- *The component parts of the health and disability system must operate effectively together as a more unified system while recognising differences amongst different providers*
- *Ensure the on-going clinical and financial sustainability of the public health and disability system by:*
 - *Effectively engaging clinicians, and where relevant the wider healthcare workforce, in decision making*
 - *Delivering the health and disability system New Zealanders need within a long term sustainable funding allocation*
 - *Effectively engaging New Zealanders and their families and whanau to play a greater role in staying healthy and managing their healthcare needs.*