



Just Treading Water

A joint analysis of the Health Budget for 2024/2025



Introduction

Health is always a big-ticket item in every government's budget because it is pivotal to the wellbeing of the community each government serves.

This paper has been released by the Association of Salaried Medical Specialists and the New Zealand Nurses Organisation. The purpose is to provide analysis of New Zealand's 2024/2025 health budget. It considers the impact of this budget from the perspective of the medical and nursing workforces, as well as likely impacts on the community they treat.

Summary and Key Findings

At best, the 2024/2025 Budget is a "status quo" budget in terms of health. The Budget maintains the current service level but does not allow for expansion and investment to address the growing health crisis.

There is concern this Budget does not provide dedicated funding to meet recently announced planned care health targets. In February, Te Whatu Ora advised the Minister of Health that extra funding will be needed to meet planned care targets. From information sourced through the Official Information Act, Te Whatu Ora modelled costs of \$723 million between 2024/25 and 2026/27 to have no patient waiting more than 15 months for a first specialist assessment, and no patient waiting longer than 12 months for treatment.

This "status quo" budget means the ongoing pressure of workforce shortages and the deteriorating access to community-based and hospital services is likely to continue.

As a result, the amount of unmet need for health care in the community will continue to grow. Unmet need is a significant problem in our society already and it is estimated more than one third of the adult population lives with unmet medical need.¹

On the surface, the health budget received a large increase of 6.2 per cent but deeper analysis shows a different picture. This paper asserts the operational increase to health being just 0.4 per cent when we consider new money assigned to the health budget and not recycled or relabelled money.

We can see Vote Health received an additional total of \$1,739 million (operational and capital) for 2024/2025, which is 6.2 per cent above estimated actual spending for the previous year (from \$27,898 million to \$29,637 million).

Most of that increase is capital spending (an increase of \$1,647 million) and most of that covers historical claims under the Holidays Act (an increase of \$1,379 million).

Vote Health's operational budget increased by just \$93 million, (or 0.4%) from estimated actual spending of \$26,262 million in 2023/24 to \$26,354 million budgeted for 2024/25.

At best, the 2024/2025 budget is a "status quo" budget ... [it] maintains the current service level but does not allow for expansion and investment to address the growing health crisis.

¹ Association of Salaried Medical Specialists. Anatomy of a Health Crisis, May 2024. Available from: <https://asms.org.nz/wp-content/uploads/2024/04/ASMS-Anatomy-of-a-Health-Crisis-210416.pdf>

The relatively small increase is mainly due to the discontinuation of some time-limited funding streams, one-off costs in 2023/24 and “savings”, which total \$2,093 million (Fig 1).

Of the “new” additional funding, \$1,430 million has been allocated to meet cost pressures - that is, maintaining current levels of services. Te Whatu Ora officials indicated at annual review hearings in March this funding level falls short of what is needed.²

Other findings include:

- The budget does not provide enough to achieve at least four of the Government’s five posted health targets including: faster cancer treatment, shorter stays in ED, shorter waiting times and shorter elective treatment times.
- The Government will ‘save’ \$15 million per year when people are unable to collect their prescriptions because of the \$5 fee. This will contribute to further unmet health need which will cost more long term.
- Pharmac funding is \$225 million less than estimated actual spending in 2023/2024
- Manatū Hauora Ministry of Health funding has been cut by \$51 million (18 per cent) from estimated actual spending. This is likely to impact on health service delivery.

The Budget fails to address current, unsafe staffing levels. This will lead to more New Zealanders being unable to access quality care across the health system.

The Detail

Workforce

From a nursing perspective the Budget fails to address current, unsafe staffing levels. This will lead to more New Zealanders being unable to access quality care across the health system. In 2023, one in four hospital shifts were not adequately staffed with nurses and midwives.³

Further, 14 per cent of hospital shifts were understaffed for more than half of all shifts in 2023.

There is a nursing shortage of more than 4,800 vacancies, as reported in 2023’s Health Workforce Plan.⁴

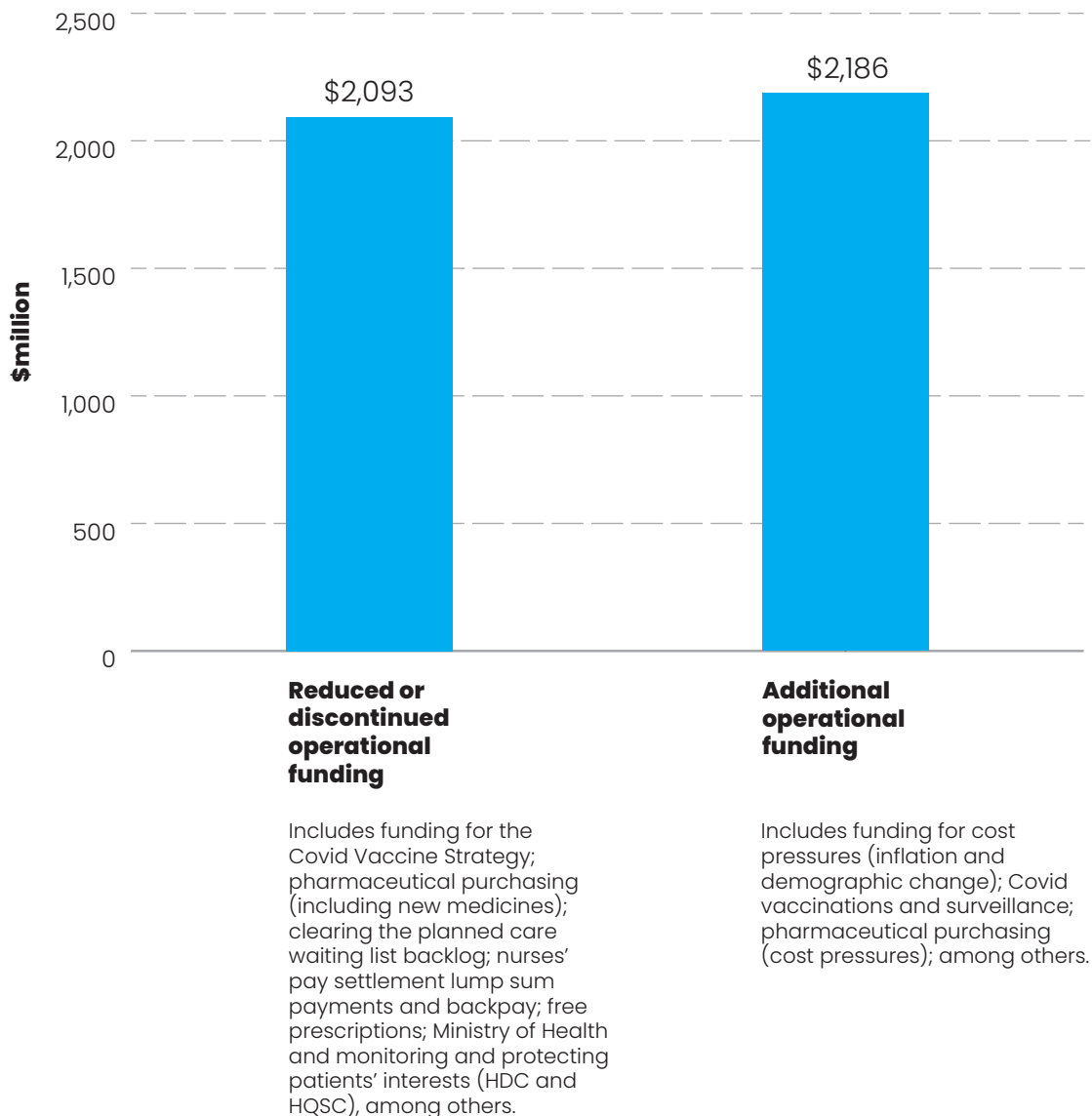
2 Health Committee. Hansard Transcript: 2022/23 Annual Review of Health New Zealand Te Whatu Ora (first hearing). 1 March 2024. Available from https://www.parliament.nz/resource/en-NZ/54SCHEA_EVI_f7e5b552-de-da-47b9-018e-08dc156e9ddc_HEA829/59d908a1f95208c76fa9a822a697912d48d06965

3 New Zealand Nurses Organisation, ‘Official nurse unsafe staffing figures genuinely alarming’ 8 May 2024. Available from: https://www.nzno.org.nz/about_us/media_releases/artmid/4731/articleid/6776/official-nurse-unsafe-staffing-figures-genuinely-alarming

4 Nielson, M. ‘Government launches health workforce plan; nearly 13,000 extra nurses and over 5000 doctors needed within a decade’. NZ Herald, 4 July 2023. Available at: <https://www.nzherald.co.nz/nz/politics/government-launches-health-workforce-plan-nearly-13000-extra-nurses-and-over-5000-doctors-needed-within-a-decade/K5GHGVYMMNA4HOWWN5DBMLFUSE/>

Vote Health

Additional operational funding for 2024/25 compared with operational funding that was reduced or discontinued after 2023/34



Source: Budget 2024 - Vote Health Estimates of Appropriations 2024/25

There is a lack of funding held in contingency for pay equity settlements and there is no stated commitment to fully-fund anticipated settlements for care and support workers, primary practice and urgent care nurses, Plunket, and hospice workers, for all of whom NZNO has live pay equity claims. This sends a message that the workforce is devalued and makes filling gaps more difficult. A commitment to funding and supporting the pay equity claims, and identifying where it has been budgeted, is a needed step.

There is also inadequate investment to address wider staff shortages for junior doctors and senior doctors and dentists.

National campaigned on increasing medical student numbers by 50 places in 2025, and setting up a new medical school with an intake of 120 medical students by 2027.

This budget allows for an increase of just 25 medical student places, who will take 10 to 15 years to become specialists. Given the existing staffing pressures, and the estimated 22 per cent shortfall of senior medical officers in New Zealand, this is an inadequate amount.

Operational budget shortfall

Hospital and Specialist Services received \$860 million to address cost pressures. However, of this, only \$229 million is above the estimated actual spending in 2023/2024 (from estimated actual spending of \$14,382 million in 2023/24 to \$14,611 million budgeted for 2024/25).

There is little in the Budget to achieve at least four of the five recently announced government health targets, which include faster cancer treatment, shorter stays in emergency departments shorter waiting times to see a hospital specialist and to receive elective treatment.

Te Whatu Ora advice to Minister of Health Shane Reti, obtained by ASMS under the Official Information Act said, “The total modelled cost for increased planned care delivery between 2024/25 and 2026/27 is \$723 million if fully funded at national prices.”

This increase is not represented in the Budget. In fact, despite the backlog of planned care following the Covid-19 pandemic, a \$110 million time-limited fund to help clear this backlog has been cut from the Budget, even as waiting lists continue to grow.

Prescription charges

Recent studies show the reintroduction of the \$5 prescription charge will increase pressure on emergency departments and hospitalisation rates.^{5 6}

National campaigned to bring back the prescription charge (excluding under 14s, over 65s and community services card holders) to enable more funding for new cancer drugs. No new cancer drugs are funded in this Budget.

Pharmac funding

In terms of Pharmac, this Budget sees \$420 million made available to maintain funding of medicines at current levels for 2024/25. However, the agency’s funding in this Budget is \$225 million less than estimated actual spending in 2023/24.

Much of that reduction is due to scaling back the Covid vaccination programme, though \$186 million of time-limited funding for purchasing medicines also ended in 2023/24. This means there is an element of taking away in order to give back.

There is also an estimated \$22 million “saving” built in for an anticipated drop in prescriptions being picked up following the reintroduction of the prescription charge. This has been transferred to the primary care/population health budget.

There is little in the Budget to achieve at least four of the five recently announced government health targets.

The Government will save almost \$15 million annually from an anticipated drop in prescriptions being picked up.

5 Norris P, Cousins K, et al. Impact of removing prescription co-payments on the use of costly health services: a pragmatic randomised controlled trial, *BMC Health Services Research* (2023) 23:31.

6 Jeffreys M, Pledger M, et al. Consequences of cost barriers to prescriptions: cohort study in Aotearoa New Zealand, *NZMJ*, 2024 May 17; 137(1595).

Intelligence gathering, policy development and service performance monitoring are likely to suffer as a result. Inevitably, this will impact on the overall efficiency and effectiveness of health service delivery.

ASMS sought more information about this figure from Manatū Hauora under the Official Information Act. \$21.8 million had been allocated in 2023/24 to fund the increased volume of medicines anticipated as a result of co-payments being removed. The actual estimated cost of increased medicine volume towards the end of the year was \$45.5million. For 2024/25, funding of \$31.2 million has been allocated to meet the cost of increased volume of medicines anticipated from the co-payment not applying to targeted groups. This suggests a saving of \$14.3 million from an anticipated drop in prescriptions being picked up.

Public health

The Primary, Community, Public and Population Health budget line sees an additional \$531 million to cover cost pressures. However, after multiple additions and subtractions, the increase above estimated actual spending for 2023/24 is just \$103 million (from estimated actual spending of \$8,984 million in 2023/24 to \$9,088 budgeted for 2024/25).

Covid vaccine

Covid vaccine delivery and surveillance receives \$56 million, though this is significantly less funding than for the previous Covid Vaccine Strategy, which has been scaled back.

Te Aka Whai Ora

With the disestablishment of Te Aka Whai Ora Māori Health Authority, the responsibility for delivering Hauora Māori services has been transferred to Te Whatu Ora Health New Zealand. They received \$39 million to cover cost pressures but, with a total budget of \$749 million, this represents less than 3 per cent of their total operational budget. This will likely exacerbate long-term health inequities.

Mental health

Mental health and addiction (MHA) services received small increases for youth counselling, a pilot to support patients in ED, and the Community Sector Innovation Fund (though not all of it is new money). These are positive steps but well short of what is needed to address the dramatic fall in New Zealanders able to access specialist MHA services over the past five years, as recently reported by Mental Health and Wellbeing Commission.

Cuts to additional agencies

Manatū Hauora Ministry of Health funding has been cut by \$51 million (18 per cent) from estimated actual spending in 2023/24.

Intelligence gathering, policy development and service performance monitoring are likely to suffer as a result. Inevitably, this will impact on the overall efficiency and effectiveness of health service delivery.

Similarly, monitoring and accountability of health services will be compromised by cuts to the budgets of the Health and Disability Commissioner (\$2.9 million) and the Health Quality and Safety Commission (\$1.4 million).

These cuts come at a time when agencies are dealing with a significant increase in patient complaints, and a backlog from the Covid-19 pandemic.⁷

KEY ISSUES ⁸	BUDGET RESPONSE	CONSEQUENCES
More than a third of adults report an unmet need for health care and this is growing.	Reintroduction of prescription charges for most people. No relief from GP fees. No funding to address workforce shortages.	Our unmet need for health care – already substantially higher than reported in European countries – will continue to grow.
An estimated 1.75 million adults have an unmet need for dental care due to cost alone.	No relief from dentist fees. No funding to address dental workforce shortages.	Unmet need for dental care will continue to grow, with a further negative impact on hospitalisation rates.
An estimated 329,000 adults and 55,000 children have an unmet need for MHA services	Small increases for youth counselling and a pilot to support patients in ED. No funding for workforce shortages	Unmet need for MHA services will continue to grow, with a further negative impact on hospitalisation rates.
Almost 1.3 million people attended public hospital EDs in 2022/23. The number is increasing significantly faster than population growth.	Reintroduction of prescription charges for most people, which studies show will increase pressure on ED. No funding to address workforce shortages	ED presentation will continue to grow above population growth rates.
Acute public hospital admissions are increasing significantly faster than population growth. In contrast, non-acute hospital discharges (patients from the waiting list or ‘arranged’ bookings) have dropped.	Some small additional funding for prevention, but also some cuts. Significant reduction (\$110m) for clearing the planned care waiting list backlog.	Acute hospital admissions will continue to grow and displace ‘elective’ treatments. Waiting times will grow. Increasingly, those who can afford to will opt for private treatment.
There are long-standing workforce shortages across the board, including an estimated 22% of public hospital senior doctors .	No funding to address workforce shortages.	Workforce shortages will grow further, adding to workforce burnout and impacting on recruitment and retention.
Our total health expenditure (public and private), measured as a proportion of GDP, has remained well below other comparable countries for many years.	Despite the big numbers announced on Budget Day (mostly capital funding and cost pressures) total health funding increased by less than 0.4% above estimated actual expenditure in 2023/24.	A worsening crisis in access to health care.

7 <https://www.nzherald.co.nz/health-and-disability-commission-taking-years-to-investigate-complaints-amid-significant-pressure/1UZIWM7VAFFB-VOCKMX5OBHYKQ4/>

8 ASMS “Anatomy of a Health Crisis”, May 2024. Available from: <https://asms.org.nz/wp-content/uploads/2024/04/ASMS-Anatomy-of-a-Health-Crisis-210416.pdf>