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 October 2021 to January 2022

The following documents have been included in this release:

Title of paper: Health Reforms: Realising the Digital Shift for the Health System

Title of paper: Development of the Interim Government Policy Statement for the Reformed Health and Disability System

Title of paper: Further advice on the Interim Government Policy Statement - Priorities for Inclusion

Title of paper: Health Reform: Choices to Expand the Public Offer

Title of paper: Health Reforms: Public Health Transformation

Title of paper: Health Reforms: Addressing Workforce Supply and Demand

Title of paper: Localities: Setting a Narrative, and Updating on Rollout and Prototypes

Title of paper: Further Advice on the Interim Government Policy Statement – High Level Approach to Priorities

Title of paper: Monitoring Arrangements for the New Health System

Title of paper: Restructure of Vote Health Appropriations to Support Health Reforms

Title of paper: Health Reform – Progress Update and Assurance Framework

Title of paper: Update on the Pae Ora Bill: Select Committee Progress and Further Policy Decisions

Title of paper: Pae Ora Bill: Key Policy Decisions for Recommendation in the Departmental Report

Title of paper: Allocation of Commissioning Budgets Across Future Health Entities

Title of paper: Health Reform: Transfer of Functions from Ministry of Health to New Entities

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; and
- section 9(2)(g)(i), to maintain the effective conduct of public affairs through the free and frank expression of opinion.

© Crown Copyright, Creative Commons Attribution 4.0 International (CC BY 4.0)

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

MINISTRY OF HEALTH
MANATŪ HAUORA

Briefing

MONITORING ARRANGEMENTS FOR THE NEW HEALTH SYSTEM

To: Hon Andrew Little, Minister of Health; Hon Grant Robertson, Minister of Finance; Hon Peeni Henare, Associate Minister of Health
Cc. Hon Chris Hipkins, Minister for the Public Service

Date	03/12/2021	**Priority**	Routine
Deadline	At your convenience	**Briefing Number**	DPMC-2021/22-996

Purpose

This paper provides you with an update on the development of a monitoring and intervention framework for the reformed health system.

Recommendations

1. **note** the Ministers of Finance and Health agreed in July 2021 that a multi-year funding approach for Vote Health at Budget 2022 "should only be implemented once Ministers have confidence that adequate system settings to support improved planning and financial control will be in place" [T2021/1579 refers];

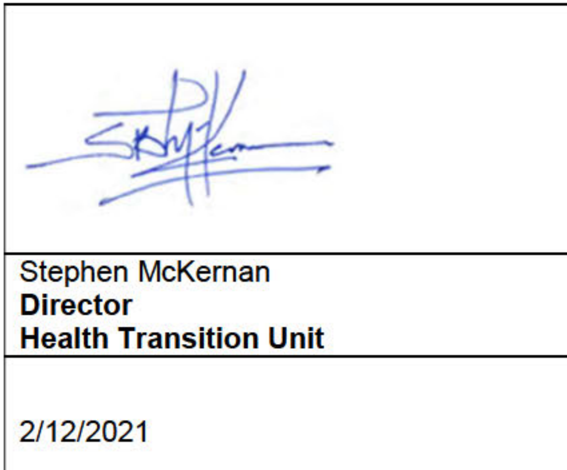
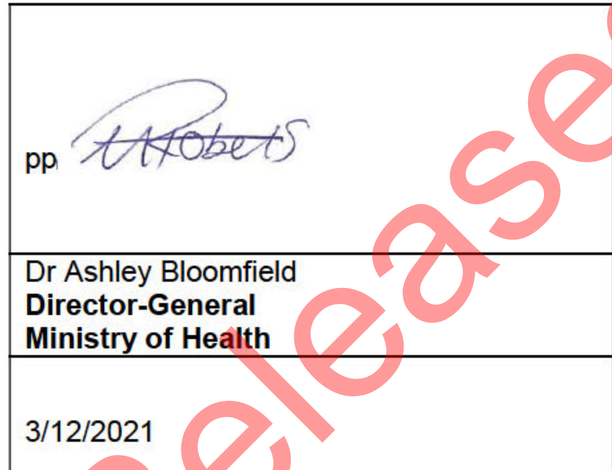
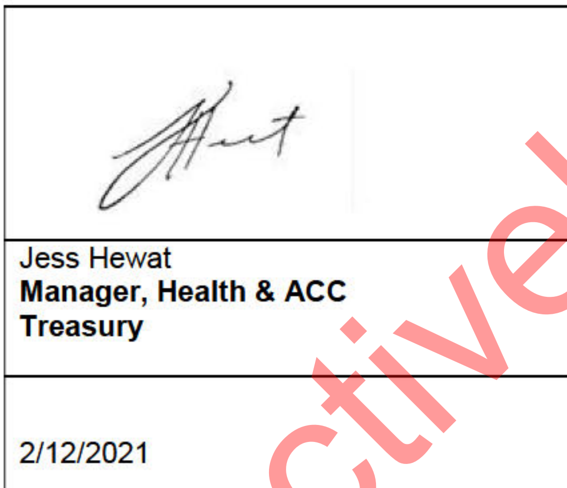
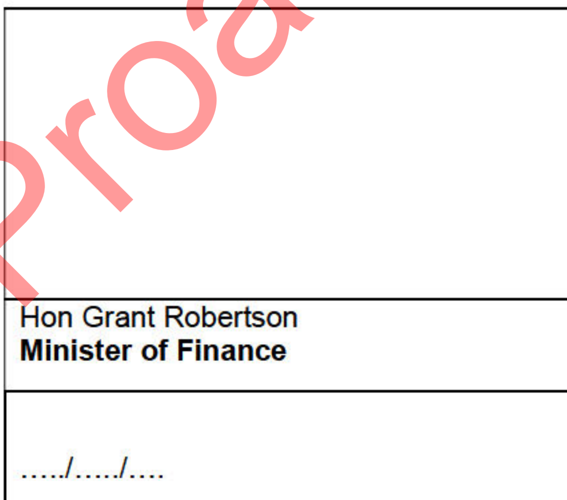
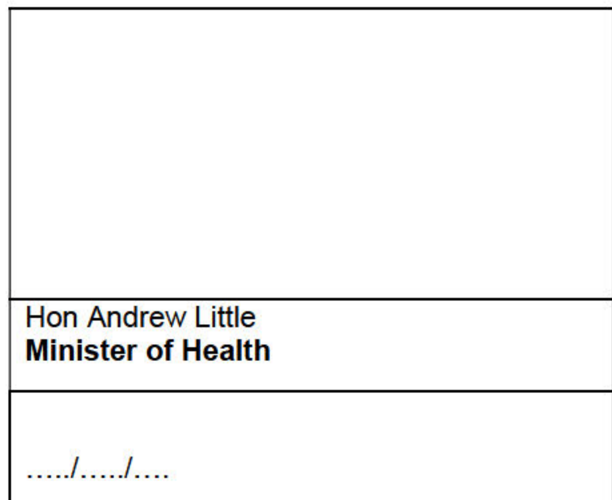
2. **note** our preliminary view that the proposed system-level monitoring arrangements, in combination with its new operating model and a refreshed statutory intervention framework, will be adequate to protect Ministerial and public interests, including if multi-year funding is approved;

3. **note** that work is underway to generate a monitoring framework for the new system, and associated regular evaluation and reporting processes, with a focus on system performance and transformation through the transition to the reformed system;

4. **note** that the interim Health New Zealand and Māori Health Authority will also take forward work to design their internal performance monitoring arrangements, and that these will be aligned with the system-level approach;

Proactively Released

5. **note** the Ministry of Health and the Transition Unit will engage with the interim Māori Health Authority and Health New Zealand and provide you with further advice on this framework by early March 2022, so that you can confirm your comfort with the proposed settings before Budget 2022 decisions are finalised.

	pp 
Stephen McKernan **Director** **Health Transition Unit**	Dr Ashley Bloomfield **Director-General** **Ministry of Health**
2/12/2021	3/12/2021
	
Jess Hewat **Manager, Health & ACC** **Treasury**	Hannah Cameron **Deputy Commissioner, Strategy and Policy** **Public Service Commission**
2/12/2021	2/12/2021
	
Hon Grant Robertson **Minister of Finance**	Hon Andrew Little **Minister of Health**
…../…../….	…../…../….

Proactively Released

Hon Peeni Henare
Associate Minister of Health

...../...../....

Contact for telephone discussion if required:

Name	Position	Telephone		1st contact
Maree Roberts	Deputy Chief Executive Ministry of Health	DDI	Mobile	
Simon Medcalf	Health Team Lead Transition Unit	DDI	Mobile: s9(2)(a)	✓

Minister's office comments:

- ☐ Noted
- ☐ Seen
- ☐ Approved
- ☐ Needs change
- ☐ Withdrawn
- ☐ Not seen by Minister
- ☐ Overtaken by events
- ☐ Referred to

Proactively Released

MONITORING ARRANGEMENTS FOR THE NEW HEALTH SYSTEM

Purpose

1. This paper updates you on the development of a monitoring and intervention framework for the new health system.

Executive summary

2. Achieving the aims of the health system reform, including establishing a more equitable, sustainable and person-centred system, will require improved accountability arrangements. This is needed to ensure Crown entities responsible for delivering services (e.g. Health NZ and the Māori Health Authority) are accountable to Ministers and communities for their actions and performance. The reformed system model agreed by Cabinet will provide important benefits that support this accountability and strengthen the ability of Ministers to hold leaders across the sector to account.

3. An effective monitoring framework is a key element of accountability as it sets out the structures, systems, practices and functions that will allow Ministers to understand delivery performance and risks, seek assurance from delivery agencies, and apply interventions where they consider this to be required to ensure outcomes are achieved. The Crown Entities Act 2004 and other legislation sets out various powers and responsibilities that apply to Ministers, departments, and Crown entities. These provisions create a monitoring framework for most Crown entities and provide levers to address risks at a system-level or within organisations. In the new health system, these arrangements will be supplemented by the Pae Ora (Healthy Futures) Bill which will provide for additional powers and responsibilities specific to the health system.

4. Public accountability of the health system at a national level will continue to be enabled through the accountability of Ministers to Parliament and will be strengthened by publication of strategic, planning, and performance documents such as the Government Policy Statement, the New Zealand Health Plan, and Annual Reports. This will help people to understand what they can expect from the system and how it is performing relative to these aspirations. This accountability can be further reinforced by strengthened requirements in the Government Policy Statement for reporting to communities at a local level, in line with the priorities determined through their locality plan as these are developed.

5. Monitoring arrangements for the new system will be informed by the priorities Ministers set in the Government Policy Statement, and how these priorities are reflected in the New Zealand Health Plan. This will help to shape how entities performance manage their operations, services and organisational functions, and will provide a coherent accountability approach that links long-term strategic direction with organisational actions. The monitoring framework and associated reporting requirements will be appended to the Government Policy Statement.

Proactively Released

6. As the lead system monitor, the Ministry of Health will work to implement a streamlined monitoring framework of lead and lag indicators in the medium-term. This will capture a wide range of health system activities and be supported by quality data, including existing administrative collections and survey data, alongside expanded data on patient and whānau experiences, both qualitative and quantitative.

7. From July 2022, the Ministry's immediate focus will be on stewarding the health system through the transition period to implement the reforms while ensuring continued delivery of health services. The reformed health system will take up to two years to fully operationalise in its full form as intended by Cabinet and will take longer to deliver on the outcomes envisaged through the reforms. Strengthened monitoring and risk management will be crucial through this transition period to ensure that the intent of the reforms is realised. An expanded set of interventions will also be available to Ministers from July 2022, enabling them to take proportionate and timely action if things go wrong.

8. Our preliminary view that the proposed monitoring arrangements for the system, in combination with its new operating model and a refreshed statutory intervention framework, will be adequate to protect Ministerial and public interests in the context of multi-year funding.

9. Subject to your comfort with our proposed direction, the Ministry of Health and the Transition Unit will continue to work on developing a detailed framework of outcomes and indicators for the new health system, along with the reporting requirements needed to enable effective monitoring. They will provide you with detailed advice on these items in early March 2022.

Context

10. Improving the accountability arrangements to lift health system performance and better manage risk has been a key goal of the health reforms. This reflects the findings of the Health and Disability System Review that the health system lacked regular, detailed reporting and monitoring of system priorities, and had few usable levers to address risks at a system-level or within entities.

11. The Ministers of Finance and Health agreed in July 2021 that a multi-year funding approach for Vote Health at Budget 2022 "should only be implemented once Ministers have confidence that adequate system settings to support improved planning and financial control be in place" [T2021/1579 refers]. Ministers will also want assurance that arrangements will support accountability to the communities served by the new system, including accountability of the Māori Health Authority (MHA) to Māori.

12. This briefing provides an update on proposed accountability arrangements, with a focus on monitoring and reporting. It focuses primarily on Minister-facing accountability, though many of the mechanisms described will also support public accountability, both nationally via Parliament or public reporting, and locally via the locality planning process.

Proactively Released

13. This briefing outlines first the monitoring and reporting roles of agencies in the new health system, before summarising the new graduated statutory intervention framework. It then discusses work underway to develop a monitoring framework for the new system to guide the content and timing of monitoring and reporting from 1 July 2022.

14. Table 1 below outlines the scope of this paper in the context of other advice you have received or will receive:

Table 1. Elements of the accountability system, and relevant advice

Four elements of the system [DPMC-2021/22-292 refers]	**Recent or forthcoming advice**
Direction-setting: how expectations and requirements are set for the system and its entities.	The key document for direction-setting in the new system is the **Government Policy Statement** (GPS). We recently provided the Minister of Health with advice on the development of the interim GPS [DPMC-2021/22-451 refers]. Further advice will follow in January/February 2022 to iterate the development of the interim GPS. We understand that the draft interim GPS will be shared with the Minister of Finance when the Minister of Health has had a chance to review it and provide feedback.
Planning: how those expectations are translated into detailed, deliverable and measurable plans for services and enablers.	The key planning document in the new system is the **New Zealand Health Plan** (NZ Health Plan)**.** The Transition Unit is working with interim entities and the sector to prepare an interim NZ Health Plan for the Minister of Health's review in early 2022.
Monitoring and reporting: how progress against plans is monitored and reported to Ministers, Parliament and the public.	These elements are the focus of the current paper. Further detailed advice on both of these elements is anticipated in early 2022, subject to any steers in response to this paper.
Intervention: how any risks or concerns that are identified through monitoring are addressed and by whom.	

The new health system structure and operating model will deliver important benefits

15. The proposed new structure and operating model for the health system will help to address some of the accountability issues identified by the Health and Disability System Review and by Ministers. In particular:

   a) The set of core reform objectives agreed by Cabinet (partnership, equity, sustainability, person and whānau-centred care, excellence) provide a clear common direction and goals for the whole health system, as the basis on which accountability arrangements are built.

   b) Consolidating the 20 district health boards (DHBs) into Health NZ will enable that entity to build a detailed picture of operational performance, nationally and regionally, "from the inside".

Proactively Released

c) The introduction of the GPS and NZ Health Plan will mean national priorities can be set, planned to and reported against in a coordinated and consolidated way nationwide, supported by a multi-year funding commitment to enable meaningful strategic planning. This will lead to a greater system-wide focus on equity and service improvements for Māori, Pacific people, disabled people and other groups who experience poorer outcomes.

d) The requirement for locality plans will help ensure that local interests remain represented in the planning system. The requirement that health entities have regard to health strategies – including strategies for Māori, Pacific and disability health – will help ensure these communities' voices are heard in the system. The creation of the MHA will greatly increase system responsiveness to the needs of Māori.

e) The change in appropriation structures from DHB-specific appropriations to functional buckets, combined with the (in time) fully costed NZ Health Plan, will improve financial transparency and the visibility of funding flows through the system. This will require detailed indicators and performance measures to be developed that allow public and Parliamentary scrutiny of whether expenditure is appropriate, and whether it is having the desired impact.

f) Publication of the Health Charter will guide the culture, behaviours and attitudes expected of all parts of the system. Entities will be required to have regard to the Health Charter when planning for and commissioning services.

g) Shifting operational functions out of the Ministry of Health will enable the Ministry to focus on its strategy, policy and regulatory functions and on system stewardship (including monitoring).

16. The specific monitoring and reporting settings discussed below should be considered against this improved operating backdrop.

Different types of monitoring

17. The Crown Entities Act 2004 (CEA), Public Finance Act 1989 (PFA), and Public Service Act 2020 (PSA) each bestows various powers or responsibilities on Ministers, departments, and Crown entities. In the new health system, the Pae Ora Bill will provide for additional powers and responsibilities specific to the health system, building on existing arrangements established by the New Zealand Public Health and Disability Act 2000.

18. Table 2 below summarises the different types of monitoring the Ministry, Health NZ and the MHA will undertake in the new system. It is followed by more information about the role of the Minister and each individual agency. It is important to note that a wide range of agencies are involved in the monitoring of the health system, not just those represented in table 2 (i.e. some sit within and some outside of government). Appendix A summarises the roles of agencies outside the health system.

Proactively Released

Table 2. Types of monitoring, and summary of Ministry/entity roles

	Type of monitoring	Ministry role	Health NZ/MHA role
Strategic and contextual	**Whole-of-system monitoring and evaluation**	Leads as system steward to ensure correct day to day monitoring procedures, and barriers to improvement are removed. Analyses monitoring information from a range of agencies, data, and evaluation sources to achieve a full system view, including insight on particular priority groups (e.g. Pacific people). Director-General must produce annual report on state of public health (Public Health Act 1956, P.1, 3C). Requirement to monitor and review the various health strategies, and assessing how the system has performed against them (Pae Ora Bill, cl. 37-43).	Collect and provide much of the data to MoH; MHA to also monitor system performance for Māori. *NB. Decisions about where to locate national collection services and data warehousing infrastructure for the health sector have yet to be made and will require careful thought.*
	Environmental scanning	Leads via Long-Term Insights Briefing (PSA, Sched. 6, s.8). Responsibility for Strategy and Policy.	MHA will partner with MoH in relation to hauora Māori.
	Monitoring and evaluation of specific policies or interventions	Leads at high level (e.g. monitoring and evaluating GPS effectiveness).	Detailed monitoring and evaluation of interventions and programmes. MHA also partners with MoH to support high-level monitoring.
	Agency monitoring	Provides Ministers with independent advice on the performance of the health Crown entities and their boards, including Health NZ, and on the MHA as a statutory entity. Assessment of performance includes the agency's alignment with government policy, delivery performance, financial performance, organisational culture and capability, and the management of risk. Supports Ministers in engaging with the boards of the agencies, and advises on the use of intervention powers (CEA s.27).	Monitor and manage own performance at board level, supported by CEs and leadership teams.
Detailed and specific	**Vote monitoring and reporting under PFA**	Chief Executive of Ministry is responsible for financial management of system (PFA s.35), and is the administrator of the Vote and of all appropriations in the Vote.	Monitor and report financial information, including in accountability documents, to enable Chief Executive of Ministry to fulfil their role.
	Capital investment monitoring (major capital investments)	Monitors on behalf of Ministers – CO(19)6[1]	Project delivery governance, as accountable body for delivery.

[1] Cabinet Office, CO (19) 6: Investment Management and Asset Performance in the State Services (2019)

Proactively Released

The monitoring role of the Minister of Health

19. The role of the Minister of Health in the new system will closely follow the standard Crown entity model in which the responsible Minister has various powers and duties relating to appointing board members, setting strategic direction and performance expectations, and monitoring and reviewing performance. The Minister of Health will also be responsible under the Pae Ora Bill for:

    a) producing the GPS;

    b) agreeing the NZ Health Plan;

    c) issuing, monitoring and reviewing the New Zealand Health Strategy and strategies relating to Māori health, Pacific health, and disability health; and

    d) publishing the Health Charter to guide the culture, behaviours, and attitudes expected of all parts of the system.

The monitoring role of the Ministry of Health

20. As per the first three rows of Table 2, the Ministry of Health will continue in its existing role as the lead system monitor for health. This involves providing Ministers, Parliament, the general public, and international repositories (e.g. the OECD) with information about the overall state and performance of the health system and the health of all New Zealanders. The Ministry will do this through a monitoring framework of lead and lag indicators, the health strategies, the annual Health and Independence report and the three-yearly Long-Term Insights Briefings required by the Public Service Act. The Ministry's system monitor role will be carried out in partnership with the MHA with respect to monitoring system-wide outcomes for Māori. The Ministry will also continue to have a key role in administering, implementing and enforcing legislation and regulations.

21. The Ministry will also continue to lead the Vote Health Budget process on behalf of the Minister of Health and oversee public financial management for the system in line with the chief executive's duties under the PFA. You will shortly receive separate advice from the Ministry of Health on the proposed approach to the new appropriation structure.

22. Alongside its system monitor role, the Ministry will continue its role as departmental monitor of health entities. In this regard the Ministry's activity will be twofold. First, it will support the Minister of Health in fulfilling their role with respect to each entity. This is the Ministry's primary purpose as departmental monitor, and (as per status quo) will include advising the Minister as they:

    a) make board appointments to health entities;

    b) set expectations for entities on their strategic direction, priorities and expected delivery – via the GPS, Statements of Intent (SOI), Statements of Performance Expectations (SOEs) and Letters of Expectation;

    c) monitor the performance of the boards and entities, the alignment of the entities with their expectations (including via monitoring delivery of the NZ Health Plan

Proactively Released

against the GPS), their financial performance (both operating and capital), and any key performance risks;

d) engage with board chairs to raise and discuss any issues or concerns; and

e) use statutory interventions as needed to address concerns or risks at an entity, where they are not satisfied with the board's response (see paragraphs 52-55 for further information about statutory intervention powers); including powers set out in s. 55-57 of the Pae Ora Bill; and formal reviews under s.132 of the CEA.

23. The Ministry of Health will also support the Minister to engage with the Hauora Māori advisory committee where needed in carrying out their Ministerial role with respect to the MHA. For example, the Minister must consult the committee when making appointments to the MHA board.

24. The Ministry will base its advice to the Minister of Health on the financial and non-financial information it collects from entities, both formally and informally. It will receive data of various kinds from health entities monthly, quarterly, and yearly, according to a mandatory reporting schedule which will be required from entities under the Pae Ora Bill and appended to the GPS. As noted above, the creation of a single national delivery entity will make consolidated reporting simpler and faster. The new monitoring and reporting framework for the system is discussed further from paragraph 56.

25. Second, the Ministry will support health entities to be successful. This is its secondary role as departmental monitor, and involves assisting entities to conduct funding reviews and submit budget bids, as well as providing them with useful contextual information and connections across government. If the Ministry identifies issues regarding the integrity, conduct or culture of health entities, it will liaise with the Public Service Commission to address these. In the event of regulatory failure or financial issues, the Ministry will liaise with Treasury.

26. The Ministry is currently scoping its future roles and the resourcing it will require to fulfil them, with support from the Public Service Commission.

Purchasing vs ownership interests

27. While the Crown's ownership and purchasing interests in Crown entities are conceptually separate, in practice they often intertwine – and we expect this to be the case in the new health system. The quality of health entities' iterative decisions about purchasing and delivery (both operational and capital) will be critical to safeguarding the Crown's long-term ownership interests in the entities. The Ministry of Health's reporting and advice to the Minister of Health will address both sets of interests in an integrated way.

The relationship with entity boards is critical

28. In the reformed health system, it will be critically important that all parties recognise – in both their mindsets and their behaviour – that entity boards are accountable for the performance of their agencies, and are the first monitors of their own performance. The design of system-level monitoring arrangements should reinforce the boards' primacy in leading their entities and not risk dilution of their role, while ensuring accountability to Ministers and enabling interventions when necessary. In the transition period, we expect that Ministers will need more assurance than they may require in the long term.

Proactively Released

29. From July 2022, the Ministry's immediate focus will be on stewarding the health system through the transition period to implement the reforms while ensuring continued delivery of health services. The reformed health system will take up to two years to operationalise in its full form as intended by Cabinet, and will take longer to deliver on the outcomes envisaged through the reforms. Strengthened monitoring and risk management will be crucial through this transition period to ensure that the intent of the reforms is realised.

30. In the new health system, Health NZ's leadership team is likely to meet with the Minister and Ministry of Health regularly, and form close working relationships on a range of day-to-day issues. While this is desirable, it also creates a risk of the Health NZ board being left out of key conversations or decisions, especially where issues are fast-moving. The chief executive of Health NZ will bear primary responsibility for ensuring their board is kept informed of relevant interactions – but the Minister and Ministry of Health can support this by channelling strategic engagement via the board where possible. We would expect the chairs of the respective boards to engage directly and regularly with Ministers, supported by the Ministry of Health, with a particular focus on agency and board performance, strategic alignment, and the management of risk.

31. The Minister and Ministry can also help ensure that the MHA's board (and, where relevant, the Hauora Māori Advisory Committee) is kept appropriately updated on discussions with the MHA.

The monitoring role of the Māori Health Authority

32. The MHA will be established as an independent statutory entity. This arrangement balances the MHA's accountability to Ministers and Parliament with sufficient autonomy to enable it to be meaningfully accountable to Māori, and to monitor system performance for hauora Māori.

33. While the MHA is established by the Pae Ora Bill, it will be subject to the bulk of standard CEA monitoring and reporting requirements[2]. The primary differences for the MHA from a Crown entity's operation under the CEA are:

    a) a requirement for the Minister to consult with the Hauora Māori Advisory Committee before appointing members to or removing them from the MHA board, or in relation to various other statutory powers;

    b) that any direction to the MHA to give effect to government policy must relate to improving equity of access and outcomes for Māori; and

    c) a requirement for the MHA to engage with Māori, and to report back to Māori on how that engagement has informed the performance of its functions.

[2] Practical and administrative provisions under the CE Act will be applied to the MHA, such as in relation to behaviour and integrity, the role, duties, and accountabilities of the board, as well as annual reporting requirements around financial and non-financial performance (i.e. SOIs, SPEs, and Annual Report).

Proactively Released

34. With respect to monitoring, the MHA's functions include to:

a) monitor the delivery of hauora Māori services by Health New Zealand, through the Māori Health Plan that is expected to be developed by Health NZ and agreed with the MHA; and

b) monitor, in co-operation with the Ministry of Health and Te Puni Kōkiri, the performance of the health system in relation to hauora Māori.

35. MHA will also be the primary monitor of progress against Whakamaua, the Māori Health Action Plan, and any successor Māori health strategy when it is developed. This will be a central role in system-level monitoring, requiring partnership with the Ministry in both the design and the operation of the future monitoring framework. Early engagement with the board of the interim MHA is planned to ensure that interim arrangements are developed to reflect hauora Māori and respect this role from the outset.

36. The MHA will be accountable to both the Minister of Health and to Māori for monitoring and reporting on the system with respect to Māori health performance, outcomes and equity. The relationship between the MHA and iwi-Māori partnership boards will be an important manifestation of this accountability to Māori, with the boards acting as local Tiriti partners and sharing their insight and perspectives with the MHA, and the MHA accounting to the boards for how it has given effect to those insights in its functions. It will be a matter for the board of the interim MHA as to how it will empower this relationship of accountability with Māori from Day One, for instance if the MHA will prepare its own public reporting to Māori. We intend to provide further advice on this topic in the New Year.

The monitoring role of Health New Zealand

37. Health New Zealand will be established as a Crown agent responsible to the Minister of Health. Like any Crown entity, Health NZ will need to develop internal monitoring and reporting frameworks as part of its organisational performance management approach. It will be expected to track progress, risks and issues in a timely way, and – supported by the Ministry of Health – advise Ministers early if problems arise or seem likely to arise. The quality of the relationship between the Ministry and Health NZ will be critical to ensuring this occurs.

38. Health NZ's monitoring and reporting on its activities will be framed both:

a) At the national level by the NZ Health Plan and other national plans:

i) Health NZ will be jointly responsible with the MHA for developing the NZ Health Plan, which must give effect to the GPS. The NZ Health Plan will set out a long-term view of health services and will form the basis for capital, digital, and workforce planning and investment. The Minister of Health must approve the NZ Health Plan and will receive regular reporting against progress in delivering it (see paragraph 56). Health NZ and the MHA must provide an annual performance report to Parliament and the public against the NZ Health Plan; and

ii) national plans for population groups such as Māori, Pacific and disabled peoples will describe how Health NZ and MHA will go about delivering

Proactively Released

against the Hauora Māori Strategy, Pacific Health Strategy and Disability Health Strategy respectively.[3]

b) At the local level by locality plans. Health NZ will be responsible for developing locality plans in partnership with iwi-Māori partnership boards and the range of local communities which the plan covers. Locality plans must give effect to relevant elements of the NZ Health Plan for each locality, while they will also provide space for locally-determined priorities to be taken forward and reported on to communities. Ministers can set requirements in the GPS about Health NZ's reporting to communities on delivery against locality plans.

39. The design of Health NZ's internal performance and reporting arrangements will be a significant element of the new operating model, and will inform how Health NZ, together with the MHA, manages its resources and continuously improves the quality of health services. While this briefing is focused on the system-level monitoring arrangements which will support Ministers to oversee delivery and reinforce accountabilities, there will be significant work for the interim entities to develop these internal arrangements ahead of Day One. It will be essential that the design of these is fully aligned with the system-level mechanisms, so that objectives are consistent. We intend to engage with the boards of the interim agencies to ensure this alignment, and will provide further advice to Ministers in the New Year.

What about SOIs and SPEs?

40. Health NZ will provide an SOI and SPE for 2022/23. In time, we expect that the NZ Health Plan will incorporate the accountability requirements currently captured by SOIs and SPEs, at least for Health NZ and perhaps also for the MHA. Because other Crown entities may expect their functions to be partially covered within the NZ Health Plan, but may also have functions not captured (e.g. Pharmac's functions will not all fit well into a national service plan), standalone SOIs and SPEs are likely to remain for these organisations.

41. Entities will still need to provide Annual Reports. Where the content of these is already covered by annual reporting on the NZ Health Plan, they can incorporate this by reference rather than reproduce it in their own documents.

Proactively Released

[3] Specific reporting requirements will apply to each of these plans, such as the requirement for Health NZ to lead reporting through the Ministry of Health to the Lalanga Fou Chief Executive grouping on how service delivery is eliminating Pacific health inequalities.

Monitoring roles of other entities and departments

42. The Health Quality and Safety Commission (HQSC) will continue to work with clinicians, providers, and consumers to improve health and disability support services. This includes monitoring and reporting on quality and safety, building sector capability for quality and safety improvement, and building consumer engagement and partnership – and reporting to the Minister of Health on these matters. This role will be particularly important in the reformed system given the size of Health NZ, and the need for an arm's-length oversight of quality.

43. The HQSC will also have a new role under the Pae Ora Bill to produce a Code of Consumer Participation, with which health entities will have to act in accordance when engaging with consumers. In addition, HQSC is a partner in the Health System Indicators and is building an "early warning" system through the creation of quality alerts and a national quality forum.

44. We will provide advice in early 2022 on the proposed range of system functions to embed and promote quality in health services, the specifics of HQSC's role in the new system, and what and how other aspects of its current role could be expanded or strengthened.

45. No changes are intended to the existing monitoring and reporting activities of Pharmac, the NZ Blood and Organ Service, or the Mental Health and Wellbeing Commission; though changes to appropriation structures will improve the transparency of financial reporting of Pharmac's purchasing activities.

46. Several other government agencies will contribute to system accountability from outside the health system, as outlined in Appendix A.

The role of public accountability

47. Public accountability of the health system is essential to ensure the system continues to deliver the outcomes that are important to New Zealanders and retains public confidence. The Minister is accountable to the public, through Parliament, for the performance of health entities and their spending of public funds.

48. At the national level, public accountability will be enabled by the publication of key accountability documents including the GPS, the NZ Health Plan and other plans, and the Health Charter. This will help people to understand what they can expect from the system and from individual entities, and improve the visibility of system priorities and expectations.

49. Annual public reporting on performance against the NZ Health Plan and other accountability documents (e.g. health strategies and Estimates of Appropriations) will also support people to understand how entities are delivering against their commitments. Outside of regular reporting cycles, there is a significant opportunity, in the context of a new monitoring framework, to embed expectations around transparency of data and indicators that drive system performance. Open access to routine data sets or regular monitoring reports may strengthen public accountability as well as improving available information for other uses, such as benchmarking and academic research.

Proactively Released

50. At a local level, locality plans will be developed with the participation of communities and iwi-Māori partnership boards to ensure the plan responds to the unique needs of that area when determining priority outcomes and services. This will allow community priorities and concerns to be captured through the locality plan development process. This process will be underpinned by requirements to report direct to local communities on the progress with delivery of the locality plan and the outcomes achieved. We expect Health NZ and the MHA to set guidance for localities on the approach to reporting, guided by the GPS, to ensure core standards for timeliness and accessibility of information to support local-level accountability.

51. Public accountability will also be enabled by supporting communities, consumers and whānau to provide input and feedback at local, regional and national levels to inform the design, planning, commissioning and evaluation of health services. This function will be monitored in line with the Code of Consumer Participation developed by the HQSC and will make entities more directly accountable to the communities they serve.

A graduated framework of statutory interventions

52. The CEA and Pae Ora Bill will together provide Ministers with an escalating set of statutory intervention powers to enable them to respond proportionately and effectively to risks of different sizes and urgency. The use of these powers would typically be triggered if the Minister is not satisfied that performance, risks, and issues are being effectively managed by respective agency boards, following advice from the monitoring department. One of the key roles of the Ministry of Health will be to advise Ministers on the use of intervention powers. Appendix B sets out these powers.

53. These statutory levers sit alongside informal levers, such as conversations with entity boards as discussed above. Informal levers are powerful in part because all parties to the conversation know that Ministers can use formal statutory levers if needed.

54. In combination with the proposed new operating model and monitoring arrangements for the system, the intervention framework will protect Ministerial and public interests in the context of multi-year funding.

55. Over the coming months we will work with Treasury and others to develop a framework outlining escalation pathways and possible trigger points for the use of these powers. Officials will also undertake work to consider whether additional statutory interventions would be desirable, in which case they will advise Ministers in early 2022. Once you have agreed a framework, we will share it with the sector so that everyone has as much certainty as possible about performance expectations and consequences.

Developing the monitoring framework for the new system

56. A monitoring framework describes how priorities and expectations are monitored routinely to assure progress with delivery and identify risk. These functions underpin accountability at both a system and entity level and track the impacts of inputs and processes on outcomes. The critical features in an outcomes-led monitoring framework are:

   a) the strength of the logic between the different elements of the framework, so that the framework as a whole drives the desired outcomes and does not lead to unintended consequences;

Proactively Released

b) the availability of qualitative and quantitative data and other system intelligence to enable entities to meaningfully assess and report on performance; and

c) the methods and processes that are followed to evaluate data, triangulate quantifiable and qualitative information and intelligence, and form insights that lead to effective enquiries which support the system entities to deliver.

57. Because the NZ Health Plan must give effect to the GPS and will drive most activity in the system, the monitoring framework and associated reporting requirements Ministers choose to set out in the GPS will drive performance monitoring throughout the system. The framework will be reflected in entities' SOIs and SPEs for 2022-2024 and will help to shape how entities performance manage their operations, services, and organisational functions.

58. Stakeholder engagement on the interim GPS in early 2022 will enable an open discussion about "what good looks like", to help ensure the monitoring framework drives the outcomes that New Zealanders care most about and will give them the transparency they most value. This could be aligned to, or based on, the priority outcomes for the reformed system previously agreed by Cabinet.

What the monitoring framework and reporting requirements could cover

59. The Ministry of Health currently mandates a range of financial and non-financial performance measures that DHBs must report against annually. It will continue to do this in the new system, working to embed a new monitoring framework with associated reporting requirements for Health NZ and MHA, to be expressed via the GPS. This could be based in part on the existing Health System Indicator Framework but will also extend to cover things like:

a) wider population health measures and system performance metrics that support a focus on priorities in the Government Policy Statement;

b) detailed revenue and expenditure against budget, actual and forecast;

c) detailed delivery against priority elements of the NZ Health Plan, actual and forecast;

d) information about the condition of capital assets and progress of capital projects;

e) workforce supply indicators such as staff turnover and vacancy rates, plus qualitative information about staff wellbeing and engagement;

f) measures of consumer, patient, whānau and community engagement and satisfaction;

g) progress in delivering large operational or organisational change projects; and

h) any strategic risks the entity or Ministers have identified, and how it is managing these.

60. These are all issues that entity boards will be expected to monitor and report on. As noted, the Ministry's role is not to displace the board but to have enough visibility of the board's activities and the information it receives to be able to provide the Minister with independent advice about its performance and any key ownership or purchasing risks.

Proactively Released

The Minister then has the opportunity to seek assurance on these issues directly from the chair on behalf of the board as the accountable body, and to consider interventions if they are not satisfied.

61. Entities will provide information to the Ministry of Health yearly, quarterly, or monthly (or more often) according to how often data is collected and how quickly indicators move. The required frequency of reporting will be specified in the mandated data requirements set for the system. Some information will also be included in public reporting, for example against the NZ Health Plan, policy strategies or the Estimates of Appropriations; some will be used only within government to monitor and manage system performance. In all cases, data must be thoughtfully and purposefully selected from a huge set of possible measurements and drawn together to tell a coherent story about system and agency performance. Insights gathered in this way should then be used to inform future engagement with entities, planning and decision making.

62. The Transition Unit and the Ministry are currently in the process of mapping existing indicators and data flows to understand how these can be adapted to the new system, and what information should be reported where and when. The Transition Unit and the Ministry will work with Health NZ and the MHA (and their interim predecessor agencies) to ascertain whether proposed indicators and measures remain fit for purpose. They will also work with the MHA, Te Puni Kōkiri, the Ministry for Pacific Peoples and the Ministry of Social Development to ensure any future framework includes suitable indicators specific to the system's performance for Māori, Pacific and disabled people.

What the monitoring framework will look like on Day One

63. From July 2022, the Ministry's immediate focus will be on stewarding the health system through the transition period to implement the reforms while ensuring continued delivery of health services. The reformed health system will take up to two years to fully operationalise in its full form as intended by Cabinet, and will take longer to deliver on the outcomes envisaged through the reforms. Strengthened monitoring and risk management will be crucial through this transition period to ensure that the intent of the reforms is realised.

64. The Ministry's interim monitoring arrangements for the first two years, therefore, will require a broad focus to include the performance of the health system, service continuity, entity establishment activity and associated risks, progress against the NZ Health Plan, and delivery against the five system shifts and priorities set in the Government Policy Statement. Over time, we expect the emphasis of monitoring will change to become more focused on population and system outcomes.

65. To support the Ministry's monitoring role and refine it over the medium-term, it will be necessary to develop a streamlined monitoring framework informed by a coherent hierarchy of lead and lag indicators covering system and population outcomes, inputs and outputs. Indicators will capture a wide range of health system activities, cascading from the high level to the detailed for use in different contexts, supported by quality data. These data will include existing administrative collections and survey data, alongside expanded data on patient and whānau experiences, both qualitative and quantitative; and will be accompanied by well-informed critical commentary.

66. Some components of this will take time to achieve. This is because:

Proactively Released

a) we will rely at Day One on existing data collections, and on the variable digital information capability existing at former DHB reporting units;

b) new data collections take time to design and establish – and in the case of surveys in particular they need to be carefully and holistically designed, planned and implemented across the system to manage the load on respondents; and

c) entities and the Ministry will need time to grow their analytical capability in working with the datasets. This could include developing new approaches to how existing data is used to monitor system performance in relation to key population groups such as Pacific peoples and disabled people.

67. While the above will present practical limitations on the design of the monitoring framework for Day One, it will be important that the initial arrangements are sufficient to ensure adequate oversight and accountability in the context of the reformed system. There is an opportunity to set out elements of a new approach from Day One and begin to foster the new relationships between entities that will be critical to a successful framework. For instance, for Day One we expect to:

a) Design a new outcomes and indicator framework, to be included in the interim Government Policy Statement, which provides a clear articulation of priorities and expectations as the basis for coherent monitoring. This should include measures that reflect population health, system and service performance (i.e. access, outputs, financial information) and wider determinants of health – encompassing the Health System Indicators and other measures such as those in Whakamaua. Although the metrics themselves will be confined to a large extent to those currently available, there will be an important gain in presenting these in a new framework that demonstrates Government's objectives and priorities.

b) Confirm mandatory data and information reporting requirements to underpin the monitoring framework through the interim GPS alongside the indicator framework. This will build from existing requirements but where possible should seek opportunities to streamline the reporting burden and focus on the information which is necessary for system-level monitoring in the reformed system (i.e. it should not include data which are relevant for the Health NZ board to monitor service performance, but which do not need to reported routinely).

c) Develop the initial approach to evaluation and presentation of data and intelligence which will give effect to the Ministry's role to advise Ministers on system and entity performance. This will set out how the Ministry will generate insights to inform system stewardship, including through partnering with the MHA and engaging other agencies in monitoring. It will include the processes for routine reporting to Ministers and the formal accountability arrangements with the chairs of Health NZ and the MHA.

d) Set initial requirements for public reporting through the interim GPS, to clarify minimum expectations for how Health NZ and the MHA should account to local communities on the delivery of agreed priorities.

68. These initial arrangements will be designed to reflect the MHA's role in partnering with the Ministry in system-level monitoring for hauora Māori. The Transition Unit and Ministry will engage with the board of the interim MHA to ensure that the design of the elements above is taken forward in partnership and reflects outcomes for Māori.

Proactively Released

69. The above initial arrangements will develop and be refined over time, based on experience with the reformed system and new data sources and methods becoming available. Beyond Day One and over the transition period to 1 July 2024, the Ministry will work closely with Health NZ, the MHA, and other stakeholders to develop the longer-term monitoring framework for the reformed system, informed by future health strategies (such as a new NZ health strategy, hauora Māori and Pacific health strategies) when these are confirmed.

70. One crucial element of the medium and longer-term approach will be to address gaps in the data available to support effective monitoring. Current gaps include limited access to near real-time performance information about quality, access, utilisation and patient experience in the primary care system; and inconsistent and variable data collection and reporting by ethnicity throughout the health system. A plan for the development of data will be important; as will using levers such as the GPS to require necessary steps of entities to deliver it. The framework will evolve over time as further priority information gaps are identified and new reporting or collection mechanisms developed to fill them.

71. Given the system's new structure, operating model and graduated statutory intervention framework, and subject to ongoing design and implementation work at the Ministry and Transition Unit, our preliminary view is that the monitoring framework and reporting schedule achievable for Day One is likely to be adequate to protect Ministerial and public interests, including if multi-year funding is approved. We think it is also likely to adequately enable management of risks associated with establishment of new entities, and transfer of functions to those entities.

72. We will provide you with further advice on the monitoring framework and reporting arrangements for the new system in early March 2022, so that you can confirm your comfort with these proposed settings before Budget 2022 decisions are finalised. This is likely to comprise joint advice to joint Ministers, as well as separate Treasury advice to the Minister of Finance focused on Budget 2022.

Next steps

73. Subject to your comfort with our proposed direction, the Ministry and the Transition Unit will engage with the interim MHA to support the next steps of work on developing a detailed framework of outcomes and indicators for the new health system, along with the reporting requirements needed to enable effective monitoring. They will also engage with PSC, the Treasury, Te Puni Kōkiri, Health NZ and HQSC throughout this process. The outcomes and indicator framework will be included in the interim GPS.

74. The Ministry of Health and Transition Unit will provide you with advice on these items in February or early March 2022. They will also work with Treasury and others to develop escalation pathways and trigger points for the use of performance levers.

75. A summary of key actions and next steps is provided as Appendix C.

Proactively Released

Appendix A: Other organisations' roles for accountability

The Public Service Commission (PSC) is responsible for appointing and managing performance of Public Service chief executives. The Commissioner is required to agree terms and conditions of employment for Crown entity chief executives, which will include the Chief Executives of Health NZ and the Māori Health Authority. Entity boards will appoint individuals to these leadership roles. PSC also leads workforce and employment relations policy across the public sector and collects data and reporting on the health sector workforce. It will also provide support and guidance to Health NZ in its management of employment relations. PSC is the Government's lead advisor on the design and structure of the public service and location of functions and provides oversight and advice to Ministers on the design and implementation of the new structural arrangements for the health system. The Commissioner also has a statutory role to provide guidance and undertake investigations in matters of integrity and conduct across the Public Service and Crown entities.

The Treasury is the Government's lead economic and financial advisor and the steward of the public sector financial management and regulatory systems. The Treasury's role is to provide advice to the Government to support the Minister of Finance's broad responsibilities for economic, fiscal, and financial policy, including performance reporting via appropriations. The Treasury has a dedicated health team that works closely with the Ministry on DHB financial performance and high-cost capital investment or employment relations activity.

Te Puni Kōkiri (TPK) is the Government's principal policy advisor on Māori wellbeing and development and is a significant holder of data, measures and indicators on the outcomes of whānau and Māori. TPK also has a legislative function (under the Ministry of Māori Development Act 1991) to monitor system performance across key sectors in relation to Māori outcomes. TPK will cooperate with Health NZ, the MHA, and the Ministry to monitor the performance of the health system in relation to Māori wellbeing outcomes - including Māori health outcomes. In this capacity, TPK will work with those entities to access/gather, curate, and analyse data on Māori health needs, government investment, outputs, and outcomes - to provide insights, advice and reports on system performance.

The Ministry for Pacific Peoples (MPP) is the Government's principal advisor on policies and interventions aimed at improving outcomes for Pacific peoples in Aotearoa. MPP will partner with the Ministry and Health New Zealand to monitor the performance of the health system in relation to Pacific health to achieve the Pacific Aotearoa Lalanga Fou goals. In this capacity, MPP will work with those entities and from time to time the Maori Health Authority to access and analyse data to improve system performance, interventions and outcomes for Pacific health.

The Accident Compensation Corporation (ACC) is a Crown entity responsible for administering the New Zealand's no-fault accidental injury compensation scheme. In this capacity, ACC is a significant purchaser of healthcare services. The legislation governing ACC provides for cooperation between ACC and the Ministry in specific circumstances such as joint purchasing of emergency travel, such as ambulances. This relationship will transfer to Health NZ under the Pae Ora Bill and will require coordinated reporting to the Ministry and to the Ministers responsible for Health NZ and ACC respectively.

Proactively Released

The Mental Health and Wellbeing Commission is an independent Crown entity that assesses and reports publicly on mental health and wellbeing and has the power to make recommendations to any person, including any Minister. It monitors mental health services and addiction services and makes recommendations on how to improve the effectiveness, efficiency and adequacy of those services.

Proactively Released

Appendix B: Graduated statutory intervention framework

As at 1 July /22, assuming the Pae Ora (Healthy Futures) Bill passes into law. In the table below, CEA = Crown Entities Act.

Power	Holder	Source in law	Constraints, limitations etc.
Levers designed to help Ministers address organisational performance issues:			
Require a Performance Improvement Plan	Minister of Health	Pae Ora Bill s.57	
Appoint a Crown Observer to the Board	Minister of Health	Pae Ora Bill s.55	
Remove the Board and replace it with a Commissioner	Minister of Health	Pae Ora Bill s.56	For MHA, must have the agreement of the Hauora Māori advisory committee
Other levers that can be used for this purpose (alongside other purposes):			
Require information	Minister of Health	CEA s.133(1)	
	Director-General of Health	Pae Ora Bill s.93	"For the purpose of monitoring the performance of any health entity or the health system in general"
	Minister of Finance	Pae Ora Bill s.58	"provide economic or financial forecasts or other economic or financial information"
	Minister of Finance; Minister for the Public Service	CEA s.133(2-2B)	Can request information relating to their CEA responsibilities
Appoint and remove Board members	Minister of Health	CEA s.36; POA s.23	For HNZ, no reason needed. For MHA, must consult with Hauora Māori Advisory Committee.
Issue a Ministerial Direction	Minister of Health	CEA s.103	
Give feedback on / direct changes to SOI or SPE	Minister of Health	CEA s.139A, s.145, s.147	
Give directions about NZHP	Minister of Health	Pae Ora Bill s.45(h), s.47	
Undertake a review of a Crown entity's operations and performance	Minister of Health	CEA s.132	The Minister must consult with the entity on the purpose and nature of the review, and consider any submissions made by the entity on the proposed review.

Proactively Released

Appendix C: Summary of key actions and next steps

Deliverable	Due date
Detailed framework of outcomes and indicators covering system and population outcomes, inputs and outputs.	February 2022
Framework of escalation pathways and trigger points for the use of statutory powers	February 2022
Data and information reporting requirements needed to enable effective monitoring (includes operational details for Health NZ and MHA accountability cycle during transition period and from 2024/25 onwards)	March 2022
Initial requirements for public reporting to support public accountability	March 2022
Advice on approach to evaluation and presentation of data and intelligence which will give effect to the Ministry's role to advise Ministers on system and entity performance.	March 2022
Development of the operational instruments for the interim period: • Interim GPS • Interim Health Plan • SOI / SPEs	March - June 2022 (final agreement of iGPS following Budget 22)

Proactively Released