Hon Andrew Little

Minister of Health
Minister Responsible for the GCSB
Minister Responsible for the NZSIS
Minister for Treaty of Waitangi Negotiations
Minister Responsible for Pike River Re-entry
Lead Coordination Minister for the Government's Response to the Royal Commission's Report into the Terrorist Attack on the Christchurch Mosques

Dr Tim Malloy
Chair
General Practice Owners' Association of Aotearoa New Zealand (GenPro)
By email

Tēnā koe Dr Malloy

16 December 2022

Re: On the Brink Campaign

I am responding to your open letter and *On The Brink* report.

I have had a number of engagements with GenPro, including recently attending your AGM remotely and taking questions from your members. I have at all times endeavoured to maintain good faith with your organisation and members, and on several occasions have ensured GenPro was notified in advance of information relevant to your mandate prior to it entering the public domain.

It was therefore disappointing that my office received media queries about your open letter before your office sent it to mine at 7.38am. While you owe me no obligation of reciprocity, and I will continue to seek to engage in good faith myself, you should expect that the public interest in this matter demands this letter should be publicly released.

In all of our interactions I have listened carefully to you. I agree that general practice plays an integral role in primary and community health care as part of the funded sector of the public health system. I acknowledge again the pressures general practice is under, which had its genesis in a decade of structural underfunding of the health system, and which has been exacerbated by the COVID-19 pandemic and this year's winter respiratory illness spike.

However there is a difference between listening and unquestioningly accepting claims made in furtherance of commercial interests. Any Minister of the Crown needs to test claims put to them by seeking officials' advice and giving due regard to objective data. Any Health Minister needs to give due consideration to all of the needs in the health system - as well as the overall interests of all New Zealanders, not least because there is no authority for a Minister to arrogate collective decision making from Cabinet or to appropriate money from Parliament.

In our meeting of 10 November 2022 you raised a number of points subsequently referred to you in your letter and *On The Brink* report. I explained to you then that officials' advice was that some of what you said was not supported by the evidence. Having belatedly been provided with a copy of *On The Brink* I am now in a position to lay out where I agree with officials and disagree with your report.

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Fair pay for family doctor teams

Pay parity for nurses:

You claim that nurses are better paid in hospitals than in general practice.

The Primary Health Care Nursing Multi Employer Collective Agreement (MECA) is a private agreement between the respective primary care nursing and primary care employer representative bodies that the Government is not a party to.

However, more than $106 million has been provided to general practices to support cost pressure increases and support general practice employers to achieve pay parity. 80 percent of this is allocated for workforce cost pressures. Te Whatu Ora – Health New Zealand (Te Whatu Ora) estimates that the cost of settling the current primary health care MECA is $7.7 million across MECA practices.

In addition, over the past two years the Immunisation Administration Fee has increased by over 20 percent (over $9 million) to support these services, primarily provided by nurses.

General Practitioners:

There is limited visibility of the income rates of General Practitioners (GPs) as they are employed under individual employment agreements or are private business owners. The Royal New Zealand College of General Practitioners' (RNZCGPs') workforce survey indicates the average income to be $203,859 for full-time GPs, with 38 percent earning 'more than $200,000'. Because the top income level has no upper limit, it is not possible to accurately compare against other pay scales. The survey also has some limitations. The response rate is 60 percent, so the income of the remaining 40 percent remains unknown. It is not clear if the non-responders are representative of a particular income bracket. Further, the information is self-reported, so it is unclear how this information is validated.

Further the private nature of private practice means there are other revenue and capital raising streams available to businesses. These include retail product sales, incentives from suppliers, and capital gains on owned premises.

Equitable treatment for medical graduates choosing to work in general practice:

Te Whatu Ora provides the RNZCGPs with funding to support the delivery of the General Practice Education Programme (GPEP) across three years. Te Whatu Ora also fund the RNZCGPs to employ GPEP registrars in their first year of training.

On 4 October 2022, I announced additional funding for GPEP registrars that will see doctors who choose to train as GPs paid as much as their hospital counterparts. Depending on how many years post graduate the registrar is, their salary will be increased between 13 and 23 percent.

In addition to the salary increases, funding is being provided to the RNZCGPs to better support teaching supervisors and to support general practices who host post graduate years 1 and 2 interns to encourage more placements.

This includes increasing the level of funding so the RNZCGPs can pay teaching supervisors for an additional 2.5 hours a week and paying a hosting fee of $3,600 to GPs who host 12-

week Community Based Attachments to incentivise more placements in a broader range of general practices.

Registrars in years two and three are employed by general practices. This is consistent with other vocational specialities in the private system.

Increase the workforce

Increase the number of GP Registrars

You mention that the system is struggling to attract new staff as doctors no longer wish to specialise in General Practice. However, the Medical Council of New Zealand's recently released *New Zealand Medical Workforce in 2022* report shows that the number of GPs in New Zealand has increased from 2,446 in 2005 to 3,850 in 2022 – an increase of 1,404 new people wishing to specialise as GPs.

An ongoing initiative to assist with workforce pressures includes investment in medical training to increase the supply of GPs. Since 2020 the Ministry of Health has supported all eligible applications to GPEP as well as all additional trainees who were approved under the Ministry's Exception to Residency Policy on the condition of being placed in rural and regional locations. This year the Ministry of Health (now Te Whatu Ora) is funding 195 trainees in their first year of general practitioner training. There are currently 890 registrars across GPEP.

On 1 August 2022, I announced the Government's plan to boost health workers including a joint project with the RNZCGP to increase the number of GPs trained each year to 300 and to recruit more Māori and Pacific doctors. Work is under way to implement this.

Remove barriers for overseas-trained doctors and nurses:

Te Whatu Ora is funding the New Zealand Registration Examination (NZREX) Primary Care pathway pilot, which will begin with up to 10 students in 2023. This programme is designed as a pathway to provide full registration for these overseas doctors trained in a general practice setting. We look forward to seeing the outcome of this programme as a driver to encourage registrars into primary care.

The Ministry of Health is working closely with the Ministry of Business, Innovation and Employment on the Immigration Rebalance to ensure that immigration settings remain favourable for health and disability workers. As a result, several health practitioner roles that are in shortage, including GPs, have been added to the Green List – a list of occupations that are able to enter a work-to-residence or fast-tracked pathway to residence in New Zealand. The pathway will provide favourable immigration settings to assist in attracting internationally trained workforce.

Expand the capacity and capability of the family doctor workforce:

A key element of the new localities approach to be implemented as part of the health reform, is expanding the primary care team to include clinical pharmacists, allied health workers, kaiāwhina, and others, so that a comprehensive multidisciplinary team becomes the norm. The Ministry of Health is currently progressing an application from the New Zealand Physician Associates Society for their profession to be regulated under the Health Practitioners Competence Assurance Act 2003. Preliminary assessment of the application has been completed and the next step is for the application to be assessed by an independent, expert panel.

Funding

You mention that general practice has received a historical lack of funding. In total general practices receive $1.039 billion annually in base capitation funding. This is in addition to COVID-19 service funding and support payments, patient co-payments, ACC funding, and services funded by other sources (e.g. from Primary Health Organisations). On average, this is $215.99 per enrolled person per annum.

Over the past two years general practices have received over $106 million in additional funding to support their cost pressure increases. General practices have not been expected to deliver any new or additional services in order to receive this funding.

Prior to COVID-19, a major service the Government introduced was to reduce the co-payments for those with Community Services Cards and their dependents and introduce Zero Fees for 13-year-olds from 1 December 2018. Primary care required an additional $105 million per annum to implement this service across 672 non-Very Low-Cost Access general practices. However, patient co-payment surveys undertaken since, indicates that general practices' co-payment revenue only reduced by under $19 million per annum.

Additionally, the Government has made available to general practices over $460 million to deliver COVID-19 services. This is in addition to a substantial amount of funding provided for general practices to deliver COVID-19 testing and vaccinations. All these services have been funded at GP rates. GenPro has acknowledged the profits generated from this revenue.

You have mentioned that the three percent increase to base capitation made available from 1 July 2022 is not sufficient against inflation of 7.2 percent. As you know, there is a contractually agreed process, the Annual Statement of Reasonable GP Fee Increase (ASRFI), by which cost pressure increases are quantified in general practice. This process was thoroughly reviewed in 2019, with only one change made to the methodology. This change was agreed to by general practice leaders.

You are aware that this methodology uses four Statistics New Zealand indices for the calendar year to 31 December that are calculated by an external consulting agency to maintain independence. I am aware that GenPro has suggested an alternative methodology, however despite multiple requests, GenPro's base general practice data have not been made available to Te Whatu Ora, nor have they been independently audited, or verified as a fair and representative sample across the country.

For the time being, the ASRFI remains the contractually agreed methodology. For 2022/23 the ASRFI was calculated at 2.38 percent to take effect from 1 July 2022. Interim Health New Zealand acknowledged this was lower than inflation at the time and asked the external

consulting agency to re-calculate this rate including the January to March 2022 quarter. This was the basis for the three percent funding increase. The January to March 2022 quarter will again be included in next year's calculation, meaning general practices will receive the increase for this quarter twice.

You isolate a one-year comparison between the ASRFI and inflation, which suggests the ASRFI does not keep pace with inflation. Over the past ten years the Crown has provided general practices with cost pressure increase funding of 22.08 percent. This is 3.29 percent more than the rise in the Consumer Price Index (CPI) over the same period, which increased by 18.79 percent. In addition, general practices nationally have increased their patient co-payments by 23.42 percent on average, which is 4.63 percent more than CPI over the same period.

Increasing Demand

Service utilisation data is an indication of available capacity, rather than demand. However, GP service utilisation data since 2014 shows this has remained stable at three consultations per person per annum. The total number of consultations has increased by an additional 1.6 million, but this is due to population growth and has been catered for by 547 more GPs than we had in 2015.

However, we are aware that the distribution of the workforce is uneven across the country and there are some areas facing difficulties attracting staff. This particularly affects rural and provincial areas. The workforce initiatives listed above demonstrate the Government's commitment to addressing workforce constraints, which will help improve timely access to primary care.

In terms of enrolment numbers, while there is variation nationally, Te Whatu Ora's General Practice Fee Survey for 2022 found that 67 percent of the facilities surveyed were enrolling new patients. However, I acknowledge that in some areas, for example Wairarapa, MidCentral and Taranaki access to enrolment is a problem. Te Whatu Ora, with Te Aka Whai Ora – Māori Health Authority, are implementing a number of initiatives to ensure there is capacity in the system. This national approach will support primary care, community services, age residential care as well as our hospitals and emergency departments.

Future Contractual Settings

A technical review of the current capitation funding formula, commissioned by the Department of Prime Minister and Cabinet, has been completed. The review will be an important input for further advice on possible changes to funding settings. The review makes an important contribution to our understanding of the shortcomings of the current capitation formula for general practice, which is based on historical use patterns rather than population need. In particular, it shows that populations with high numbers of Māori, Pacific or deprived populations are poorly served by the current capitation formula, resulting in a worsening of health inequities

Budget 22 includes $86 million over four years to more equitably allocate primary care funding to general practices based on their enrolled high needs population. Distribution of this additional funding will begin in 2023.

As I have previously advised, GenPro, amongst others, will be included in work Te Whatu Ora will lead, developing new contracting and funding settings for general practice. These new funding settings will need to adequately address inequity.

New System Settings

The health reforms are shifting the focus of our health system, to better emphasise and prioritise primary and community-based care. The shift to a locality model for primary and community care will offer opportunities to reorient the health system to one that is equitable, accessible, and responsive to people, whānau and community aspirations for health. It will better integrate services in our communities and alleviate pressure on general practice.

Strengthening primary and community health care is one of the greatest opportunities to improve health and wellbeing outcomes. Through the reforms, we expect there to be real changes in how the health system supports communities.

Conclusion

In laying out the facts above I do not seek to diminish the contributions private general practice makes to New Zealanders' health and wellbeing, and nor do I underestimate the real issues faced by your members or their legitimate commercial imperatives.

However it is a basic fact that one of the principal challenges of any public health system is that it will not meet every demand on it at any point in time, so priorities have to be determined and choices, often difficult ones, made. Nevertheless I stand by this government's record in health funding and am proud that, in spite of the terrible effects of the COVID-19 pandemic, we have delivered the highest combined health and disability budget in this country's history. I am acutely aware of the health sector's pent up frustrations after a decade of structural underfunding, but I have never claimed that every issue can be immediately fixed and I will not do so now because that would be irrational and dishonest with New Zealanders.

I commit again to working with you in good faith if that is something you are prepared to do.

Part of being an honest broker with you is making unambiguous that anyone receiving taxpayer funding needs to expect a high degree of scrutiny, firstly about the facts of that funding, and secondly to provide public assurance that taxpayers are getting value for their investment. I do not consider that your *On The Brink* report accounted accurately to New Zealanders.

I invite you, again, to provide the relevant practice data in your possession so that the gap in understanding can be bridged and a more productive way forward can be found.

A suggestion and request for you

I would encourage you and other general practice representatives to clarify to me how engagement with the sector can be conducted more cogently. It has been evident to me for some time that officials struggle to understand how the architecture of the Contracted Provider Caucus and the General Practice Leaders Forum as well as the college and the representative bodies form coherent interlocutory partners able to share, disseminate, collate and enter into agreements.

It is my observation that often issues are raised collectively firstly, or by one body claiming a mandate from the others, only to be raised again shortly afterwards by the individual bodies seeking peculiar variations, reinterpretations, or plain repetition. While I acknowledge that each body is independent, this disconnection does appear ultimately to engender dissatisfaction and a sense of not being heard by all parties.

Yours sincerely

Hon Andrew Little
Minister of Health