

4. DEVELOPING OUR PLANNING AND FUNDING RESOURCES

4.1 Update of Health Needs Assessment Report

The DHB's first health needs assessment report was completed and published in December 2001. Significant work is being completed in 2004/05 to complete a new health and disability needs assessment report. This new report will be finalized in May 2005. A programme of provider and community consultation is being undertaken to review the draft report and gather stakeholder views on health and disability needs and priorities.

4.2 Review of District Strategic Plan (DSP)

Following revision and updating of the Health Needs Assessment Report, the District Strategic Plan will be reviewed. Most of the work, including preparation of a first draft, will be done in the period April to June 2005, after completion of the DAP for 2005/06. A preliminary draft copy will be submitted to the Ministry by 29 July 2005, and then consulted on publicly in August-September. The revised draft will be submitted to the Ministry on 3 October 2005, along with the updated Health Needs Assessment Report.

4.3 Population Based Funding

The DHB planning and funding team has a good understanding of PBF and the determinants of its allocation. We will continue to keep abreast of Ministry of Health reviews and refinements to the formula and the data on which the allocations are based. We will continue to ensure that we share our understanding of the likely future funding path for Wairarapa with our contracted providers

4.4 Planning and Funding Capability and Capacity

As a small DHB, Wairarapa has a small planning and funding team but needs to cover the same range of responsibilities, accountabilities, and reporting as much larger DHBs. We cope with this through jointly working with planning and funding staff in neighbouring DHBs as far as practicable.

4.5 Ensuring Equitable Treatment between NGOs and the DHB Provider

DHB Planning and Funding arms need to treat all providers fairly and equitably, and make sure that they do not favour their own provider arms in allocation of funds, terms and conditions of service agreements, and monitoring of service performance. Wairarapa DHB is particularly careful to ensure that NGOs are treated fairly in the allocation of new funds. Price increases have been budgeted for 2005/06 at the same rates for NGOs and the DHB provider. Contestable processes are used to select providers of new services, and over the past year some mental health and maternity services have been moved from the DHB to NGO provision.

DHB provider service delivery is monitored rigorously and wash-up applied in instances of serious under performance. In 2005/06 wash-up clauses are being introduced into NGO contracts

4.6 Achieving Service Coverage and National Consistency

The Ministry of Health's Service Coverage Schedule specifies the minimum access, scope and eligibility to publicly funded services that the population can expect. Wairarapa DHB is committed to meeting the national service coverage requirement and does not know of any exceptions to this for residents of Wairarapa. However, not all services are available locally within Wairarapa and travel to publicly funded services in other districts is required for a range of services.

Services Provided by Other District Health Boards

Services provided regionally and nationally on behalf of the Wairarapa's population include:

- Regional Cancer Centre (MidCentral District Health Board in the main)

- Tertiary services for treatment of cardiovascular diseases (Capital and Coast Services in the main)
- Renal dialysis services (Capital and Coast District Health Board)
- Specialist mental health and forensic services (Capital and Coast District Health Board)
- Outsourced Acute Mental Health Services (Hutt Valley District Health Boards)
- Specialist child and neonatal services (Capital and Coast District Health Board and Auckland District Health Board)
- Termination of Pregnancy Services in second trimester (Capital and Coast District Health Board)
- Residential Psychogeriatric Services (provided by various districts)
- Dental services requiring general anaesthetic (Capital and Coast DHB)
- Retinal Screening Services through WIPA.

There are a number of other services provided by other DHBs to Wairarapa DHB domiciled residents which are picked up and funded each year through IDF methodology.

Wairarapa DHB also has an MOU with Hutt Valley DHB that promotes sharing of staff and resources between the two DHB's.

The Wairarapa DHB recognises the need for national consistency across services and wherever possible, uses the National Service Framework when funding services, including use of national service specifications, purchase units and standard contract forms. The DHB at all times observes the mandatory requirement that all services it funds must comply with the Provider Quality Specifications set out in the National Service Framework.

4.7 Regional Developments

There are a growing number of region-wide service planning projects and collaborations. These cover provider arm collaborations as well as planning and funding issues. Regional work is now progressing forward from its previous focus on communication and sharing of approaches towards full regional planning for developments in key areas. This is most evident in the following areas:

- Mental health – Regional Mental Health Network
- Surgical services – ENT, Urology, and others to be addressed in 2004/05
- Referred services management – one regional database established for monitoring and benchmarking
- Laboratory services strategy

4.8 Service Monitoring and Evaluation

The Wairarapa DHB has a number of processes in place to monitor service performance including systems and policies to provide:

- Pre-agreement audits
- Routine monitoring of service performance
- Issues based audits to investigate specific problems
- Monitoring of accreditation and certification status
- Routine audit
- Follow-up of audit recommendations

In addition, all providers of residential services of 5 or more beds are required to be certified by the Ministry of Health under the Health and Disability Services (Safety) Act 2001. The DHB monitors provider status regarding certification.

During 2004/05 the Central region routine audit programme has been completed. Over the period since 2001 all non-DHB providers of personal health, mental health and Maori health services have been audited, with the exception of the PHO that only became operational in January 2004. The PHO will be audited during 2005/06.

Central region DHBs are considering the options with regard to audits of DSS providers (devolved to DHBs 1 October 2003). Certification requirements and audits provide a measure of quality assurance. It is likely that Central region DHBs will resolve to not to implement a routine audit programme for DSS providers and to use issues based audits only.

Now that the region's initial routine audit programme has been completed Central region DHB are considering how their approach to audit may be enhanced and made more useful to service providers through greater encourage and facilitation of best practice models. The routine audit programme that is being completed in 2004/05 has a strong contract compliance focus. The new programme for 2005/06 and beyond will most likely have a much stronger focus on service evaluation and development.

A key achievement in 2004/05 has been the training off a group of mental health service consumers to act as auditors. This has enhanced the auditing of mental health services and developed skills in consumers.

The DHB's Maori Health Committee is involved in monitoring progress against He Korowai Oranga.

During 2005/06 DHB monitoring and service evaluation activity will give priority to:

- Review of providers' Maori Health plans
- Increasing focus on outcome measures.

4.9 Management of Inter District Flows

IDFs and Population Based Funding (PBF)

From 1 July 2003 DHBs have been funded on a population basis for all of the services used by their residents irrespective of where those services are provided. As a result of Population Based Funding (PBF), Wairarapa DHB receives funding for its population including the estimated value of services accessed by Wairarapa residents in other areas. These out of area services are called Inter District Flows (IDFs).

Increase in IDF expenditure 2005/06

IDFs present as a significant financial and service risk to Wairarapa DHB in 2005/06 due to growth in IDF expenditure that the DHB experienced from 2004/05-2005/06. The following table illustrates that Wairarapa DHBs net IDF position has deteriorated by (\$2.1M) incl. GST in 2005/06 when comparing the DHBs position in 2004/05. This level of growth of more than 20 percent is unsustainable for Wairarapa DHB and seriously threatens to undermine the ability of the DHB to prioritise the provision of local health services.

IDF comparison between 2004/05-2005/06

| DHB | Outflow 04/05 | Inflow 04/05 | Outflow 05/06 | Inflow 05/06 | Variance between years <i>Improved / (Worsened)</i> | |
|--------------------|---------------|--------------|---------------|--------------|--|-------------|
| | | | | | Outflow | Inflow |
| Auckland | \$ 909,488 | \$ 29,673 | \$ 899,924 | \$ 29,865 | \$9,564 | \$192 |
| Bay of Plenty | \$ 32,654 | \$ 26,489 | \$ 31,351 | \$ 40,403 | \$1,303 | \$13,914 |
| Canterbury | \$ 441,695 | \$ 8,041 | \$ 423,334 | \$ 27,399 | \$18,361 | \$19,358 |
| Capital and Coast | \$ 7,976,913 | \$ 742,576 | \$ 9,107,788 | \$ 295,824 | (\$1,130,875) | (\$446,752) |
| Counties Manukau | \$ 136,965 | \$ 21,674 | \$ 194,484 | \$ 30,054 | (\$57,519) | \$8,380 |
| Hawkes Bay | \$ 368,634 | \$ 47,714 | \$ 205,970 | \$ 44,280 | \$162,664 | (\$3,434) |
| Hutt Valley | \$ 2,429,213 | \$ 245,922 | \$ 2,891,731 | \$ 187,825 | (\$462,518) | (\$58,097) |
| Lakes | \$ 32,715 | \$ 14,168 | \$ 25,749 | \$ 25,276 | \$6,966 | \$11,108 |
| MidCentral | \$ 1,998,857 | \$ 638,497 | \$ 2,191,438 | \$ 733,529 | (\$192,581) | \$95,032 |
| Nelson/Marlborough | \$ 17,439 | \$ 36,264 | \$ 15,435 | \$ 17,650 | \$2,004 | (\$18,614) |
| Northland | \$ 7,703 | \$ 7,268 | \$ 13,356 | \$ 17,322 | (\$5,653) | \$10,054 |
| Otago | \$ 282,366 | \$ 8,178 | \$ 185,540 | \$ 20,425 | \$96,826 | \$12,247 |

| | | | | | | |
|------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| South Canterbury | \$ 6,059 | \$ 2,293 | \$ 3,201 | \$ 1,330 | \$2,858 | (\$963) |
| Southland | \$ 7,628 | \$ 7,604 | \$ 12,487 | \$ 9,325 | (\$4,859) | \$1,721 |
| Tairāwhiti | \$ 6,965 | \$ 8,829 | \$ 13,167 | \$ 8,005 | (\$6,203) | (\$824) |
| Taranaki | \$ 10,786 | \$ 36,377 | \$ 18,834 | \$ 14,476 | (\$8,048) | (\$21,900) |
| Waikato | \$ 280,313 | \$ 31,107 | \$ 291,572 | \$ 39,468 | (\$11,259) | \$8,361 |
| Waitemata | \$ 19,142 | \$ 23,225 | \$ 17,309 | \$ 30,033 | \$1,833 | \$6,809 |
| West Coast | \$ 7,670 | \$ 3,823 | \$ 4,932 | \$ 613 | \$2,738 | (\$3,209) |
| Whanganui | \$ 328,501 | \$ 16,816 | \$ 342,328 | \$ 17,178 | (\$13,828) | \$363 |
| TOTAL excl. GST | \$ 15,301,704 | \$ 1,956,536 | \$ 16,889,930 | \$ 1,590,279 | (\$1,588,226) | (\$366,257) |
| TOTAL incl. GST | \$ 17,214,417 | \$ 2,201,103 | \$ 19,001,171 | \$ 1,789,064 | (\$1,786,754) | (\$412,039) |
| | | | | | | (\$2,198,793) |

Emerging IDF risk 2004/05.

There is one IDF category, CWDs (inpatient services) where the Ministry of Health completes a wash-up (at 6 months and 1 year) based on the actual performance of DHBs. This is because there is a National Data Collections process for CWDs through NZHIS and there is good consistency and accuracy with the information provided to NZHIS for all inpatient events. During 2003/04 DHBs were only required to wash up with Auckland and Waikato DHBs which for WDHB resulted in a slight financial gain at the end of the year. However in 2004/05 the default position for IDFs is that all DHBs must wash-up at 6 months and again at the end of the year. The impact of this change is dramatic for WDHB. For the first 6 months of this year (1 July 2004-31 December 2004) WDHB has significantly exceeded its planned CWD estimates with other DHBs to the value of \$1,173,568 (including GST). The Ministry of Health has accordingly adjusted the DHBs monthly revenue by this amount in April 2005. IDFs have therefore emerged as the Wairarapa DHB's biggest financial risk for the remainder of 2004/05 due to the volatility of flows out of the region and the impact of wash ups on the DHB financial position.

Appendix 1 provides a table illustrating the variance in CWD delivery to 31 December 2004.

What's driving increases in IDFs for Wairarapa DHB?

A number of factors have contributed to the increase in IDF expenditure for Wairarapa DHB in 2005/06. Increases in IDFs have been driven by both price and volume changes. For example there has been a number of pricing changes that have been mandated by the Ministry of Health and include:

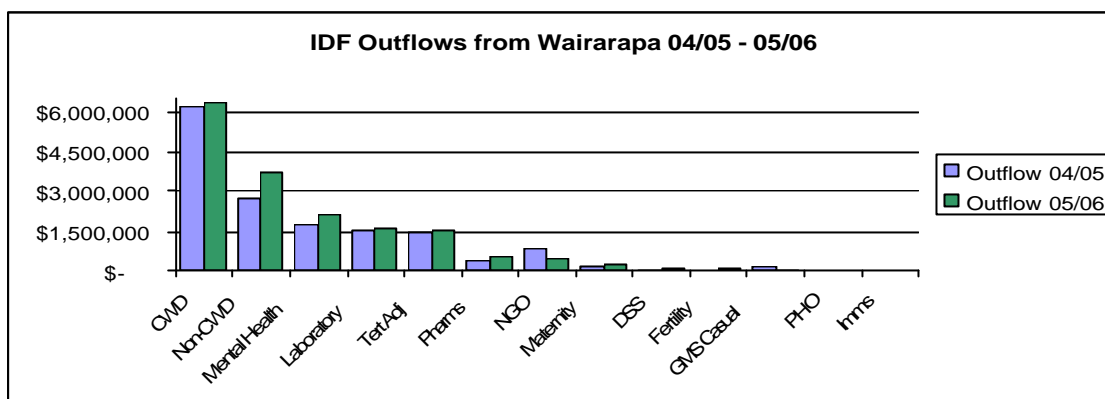
- change from WEIS 8 to WEIS 11 (net impact of \$195k)
- significant increases in Radiation and Medical Oncology purchase units (net impact of \$374k)
- increase in national IDF price book by FFT of 2.8%.

As well as the changes in price there have also been significant shifts in volumes and changes to the IDF methodology which adversely impacted on Wairarapa DHBs IDF position in 2005/06. Examples include:

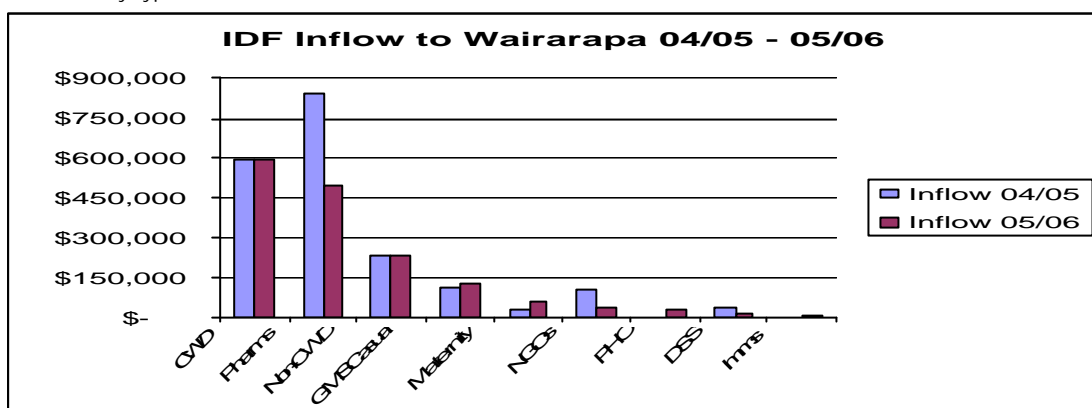
- increase in volumes for PHNCW volumes from Capital and Coast DHB for renal medicine and other PHNCW services previously not reported by the DHB
- increase in volume and price with Hutt Valley DHB for Fertility Services
- increase in volumes for CWDs / inpatient services with Capital and Coast, Hutt Valley and Mid Central DHBs
- changes to pharmaceutical IDF methodology rules- *Specialist Effect*
- splitting Mental Health Services by population share for the Central Region versus actual service utilisation

The tables that follow assist in illustrating where the changes have occurred across the various IDF categories comparing 2004/05 IDF expenditure (and revenue) with 2005/06 expenditure (and revenue).

IDF Outflows by type of services 2004/05-2005/06



IDF Inflow by type of service 2004/05-2005/06



IDFs Impact on Regional Service Planning

Wairarapa DHB is concerned that the current way in which IDFs are determined and paid for creates a number of perverse incentives for DHBs to maximise their IDF revenue. These incentives interfere with DHBs being able to effectively plan services together and work collaboratively across regional boundaries. For example Central Region DHBs are actively involved in Regional Service Development Initiatives (RSDI) which identify ways regional collaboration can lead to improvements and sustainable development of clinical services provided within a region. Recent RSDI reviews of ENT Services recommend approaches such as combining capacity to reduce waiting lists, considering new service delivery models and regional workforce planning etc. Such recommendations are at risk if IDF funding pathways do not support and provide incentives for DHBs to develop and fund services in a different way. Furthermore it is increasingly difficult for DHBs to strategically plan and prioritise local health services when there are shifts in IDF expenditure of 20 percent or more each year. Wairarapa DHB will be working with Central Region DHBs during 2005/06 to look at different ways of managing and funding IDFs such as capacity contracts or regional risk sharing arrangements with neighbouring DHBs.

Delivering the IDF financial efficiencies for the new Hospital

The construction of the new hospital on the existing site at Masterton is well underway. The Wairarapa DHB Site Development Business Case Proposal focused strongly on enhanced or new services being provided locally through partnerships with secondary and primary care providers. This was to ensure full service coverage was maintained for Wairarapa residents. The business case also built in financial efficiencies that would be delivered as part of the new hospital and new ways of operating. These efficiencies included the DHB being able to 'pull back' IDFs in a number of areas to the value of \$1,735 (\$1,060M net of personnel and operating costs). Ensuring this is realised will be a key activity for Wairarapa DHB during 2005/06.

Strategy for managing IDF expenditure and delivering IDF efficiencies

The DHB has launched a project that will continue during 2005/06 to manage and reduce expenditure on IDFs and to deliver the IDF financial efficiencies identified above. This project will involve the Funder and Provider Arms working closely together on a number of key initiatives. These activities are broadly outlined as follows:

Funder Arm Specific Projects to reduce IDFs:

- ENT services - completing the service change and IDF adjustment process with the Ministry of Health
- Mental Health – developing a new model with Central Region DHBs for allocating IDFs based on actual service utilisation versus DHBs' population splits
- Surgical Bus – exploring clinical opportunities for services not provided within the Wairarapa i.e. dental surgery that will impact on IDF outflows
- Laboratory Services - managing out year IDF adjustments and wash ups as a result of the increased local presence of Wai-Aro Laboratory Services.
- Education and information about IDFs for general practitioners and Masterton hospital doctors
- Development and implementation of policies and process to gain control over and manage referrals out of the district.

The Funder will also be involved in the 2006/07 regional IDF working group and will manage any required service change process between the Provider, other DHBs and the Ministry of Health.

Provider Arm Specific Projects to reduce IDFs:

- Plastic Services - developing a local service and contracting differently to get back volumes
- General Surgery - short and long term opportunities to work collaboratively with Hutt Valley DHB
- Elective Services Project - this project has a number of initiatives underway that will contribute to the outcomes of the IDF project such as monthly circulation of anticipated elective waiting times to GPs, improving GPs' understanding of the DHBs prioritisation process and their role regarding out of region referrals etc.
- Termination of Pregnancies - implementing changes to the service locally and seeking regional opportunities with other DHBs
- Providing over flow Elective Services for neighbouring DHBs
- ACC revenue-exploring other opportunities to increase ACC revenue for the Provider through new or existing contracts.

All of these activities and projects will be driven and co-coordinated by the Funder Arm during 2005/06.