

New Zealand cuts health spending to control costs

New Zealand's health-care system is undergoing a series of cutbacks to reduce costs, but critics are concerned that the health of people on low incomes and in some population groups may suffer. Rebecca Lancashire reports in our series on health financing.

When Robyn Pope was diagnosed with breast cancer in 2008 she was told that she would have to wait two months for a mastectomy if she wanted breast reconstruction as part of her treatment in the public health system. "Two months may not seem like a long time," says Pope, a mother of three, who lives on the Kapiti Coast of New Zealand, "but a day lived knowing that you have cancer in your body is like an eternity".

The underlying reason for the delay was a familiar one – funding. Like other countries offering universal health care, New Zealand struggles to meet the steadily growing demand for a full range of high-quality health services offered largely for free to everyone, while remaining cost efficient. In the past eight years, New Zealand's total health expenditure has doubled to 3.6 billion New Zealand dollars (NZ\$) (US\$ 10 billion). In the face of economic slow down, the government is calling for reform to rein in this expenditure.

"High-income countries with ageing populations need to look for efficiencies in their health systems," says Riku

Elovainio, a health economist at the World Health Organization. "But the pursuit of efficiency should not result in deterioration of the system's quality nor in its equity. Governments that make cuts to primary health care services usually regret this decision, as it can end up costing more in the long run."

“We Maori are living longer in the past 10 years but I am worried now that we might go backwards.”

Jules Taniwha

While Pope was unhappy about the two-month wait, she says that her primary health care providers – particularly the community oncology nurses – were “fantastic” and her entire treatment was free. Relief for other patients is now in sight. Reducing waiting times for critical cancer treatment, in particular radiation waiting

times, is one of the government's health targets to be achieved by the end of 2011.

Some health services, such as those offering cancer treatment, may receive more funding under government plans to improve quality and efficiency, while others face cuts. But the cuts, critics say, mean that fewer services may be available to some population groups and doctors' fees remain prohibitively expensive for some people.

"The public system in New Zealand is generally quite good and deals well with serious illness," says Don Matheson, Professor of Health Policy at Massey University, Wellington, and a former Deputy Director-General, Public Health, for the Ministry of Health. Its patient-centred system and well-coordinated care are seen as exemplary by other countries, he adds. But, he says, equity is "a glaring problem". When significant numbers of New Zealanders cannot afford to go to the doctor, this creates a "knock-on effect through the system – they won't access care and their health outcomes will be worse".

While the majority of public services are provided free to patients, including almost all public hospital treatment, care during pregnancy and birth, and basic dental care for children, most New Zealanders can expect to pay between NZ\$ 17 and NZ\$ 75 per visit to the general practitioner. Visits to doctors are free for most children aged less than six years and cost less than NZ\$ 20 for very low-income earners. According to the Commonwealth Fund's 2010 survey of world health systems, 32% of low-income earners in New Zealand said they did not visit a doctor in 2009 due to the fees.

Most of the country's primary health care services are organized by Primary Health Organizations (PHOs) – with services provided by groupings of doctors, nurses, counsellors and other health professionals – that provide a wide range of first-line curative and preventive health services and serve more than four million people, some 95% of the population. As part of its reform, the government plans to halve the number of PHOs through mergers and closures. So far, the original



Jules Taniwha and Justine Thorpe of Well Health primary health organization.

81 PHOs that were established since 2002 have been reduced to 70.

The country's health delivery model is in flux but is currently made up of 20 District Health Boards (DHBs) located throughout the country, funded by the Ministry. The DHBs plan, fund and deliver most publically funded health services, including hospitals. In 2009/2010, DHBs incurred a deficit of almost NZ\$ 100 million.

Both DHBs and PHOs are facing cuts to their budgets. How these and any further cuts will affect New Zealanders' health is difficult to gauge in the short term. At the moment, the health of New Zealanders is in good shape, according to Deborah Roche, the Ministry of Health's Deputy Director-General, Strategy and System Performance. Roche points to the 2008 and 2009 figures which show life expectancy and infant survival have increased markedly since 2000. The past three years have also seen a steady increase in immunization and decline in smoking.

Despite these improvements Maori, who constitute 14.5% of New Zealand's 4.3 million population, and Pacific people (6.9%) both have disproportionately poor health outcomes compared with the rest of the population. These include high rates of chronic diseases, such as diabetes and heart disease, and childhood illnesses such as rheumatic fever, which is linked to poor living conditions such as damp, overcrowded homes and poor nutrition.



Courtesy of Don Matheson

Don Matheson, Professor of Health Policy at Massey University, Wellington.

"It's not about the number of PHOs – it's about PHOs being capable and fit for purpose to address these issues across populations at a local level," says Roche, pointing out that around one third of New Zealanders are enrolled in just four PHOs, while 12% of the population is spread thinly across 41 smaller ones, which struggle to achieve efficiencies of scale and the integration of services across the system.

Many smaller PHOs facing merger or closure argue that their services are already highly efficient. "The key role of the PHO is to get to know the community and you can't do that if you're too big," says Justine Thorpe, co-manager of the Well Health PHO in New Zealand's capital city, Wellington.

“We can make the system more efficient by providing more operations for this particular dollar or more consultations for that, but the question is who actually gets those extra services and are they the people who need them most?”

Don Matheson

Jackie Cumming, associate professor and director of the Health Services Research Centre at Victoria University, Wellington, shares Thorpe's view: "Smaller PHOs can be really effective and help reduce inequalities by working very closely with the community and health professionals to ensure those services are actually working," she says, adding that there has not been enough analysis of the effectiveness of individual PHOs to know whether mergers are a good idea.

Neither is size necessarily an indication of impact, Thorpe says, pointing out that some smaller PHOs, such as Well Health's two branches serving low-income communities in Newtown and Porirua, deal with high numbers of clients with several chronic diseases.



New Zealand Ministry of Health

Deborah Roche, Deputy Director-General, Strategy and System Performance, at the New Zealand Ministry of Health.

Says Thorpe: "Well Health may have just over 13 000 clients but it is a high-needs population. We have 20% refugees and migrants and 35% Pacific Island, 19% Maori and the rest European." A high percentage of this population requires services for mental health and diabetes.

Thorpe is wary of a deficit reduction policy that, in her view, simply throws up a financial barrier to access. Thorpe says that government pressure on DHBs to reduce their deficits "straight away puts a huge pressure on us". "We can't put [those costs] onto our clients. Many can't afford to pay, and yet they are the ones who most need these services".

Jules Taniwha, who has diabetes and respiratory illness, is a patient with Well Health's Newtown Union Health Service and an advocate for several local community health groups. She is also concerned that funding cuts may mean PHOs are forced to raise their fees. "We Maori are living longer in the past 10 years but I am worried now that we might go backwards," she says.

Matheson says equity is not a problem that can be solved simply by making the system more cost effective. "We can make the system more efficient by providing more operations for this particular dollar or more consultations for that," he says, "but the question is who actually gets those extra services and are they the people who need them most?" ■