

June 2024

In Better Health?

NZCTU Analysis of the 2024 Health Budget

Contents

1 Executive summary

2 Budget 2024 Vote Health Expenditure

2 Introduction

5 Targeted funding

Planned care 5

Health targets 5

Pharmac 5

Workforce development and pay 5

Manatū Hauora (Ministry of Health) 5

Hauora Māori 6

Smaller agencies 6

Mental health 6

7 Towards a sustainably funded health system

Executive summary

- Health funding was central during the election campaign. All major political parties stated that they would increase health funding every year.
- This government has added \$93 million to health operating expenditure for the 2024/25 fiscal year on a net basis. This is much less than the \$2 billion of new operating expenditure claimed in the Budget. Much of that is not new money, it's simply recycled expenditure.
- When adjusted for inflation, total operating expenditure fell by \$775 million or nearly 3%.
- Nominally, per capita operational expenditure on health fell by 1.3%, and real per capita expenditure (i.e., adjusted for inflation) fell by 4.5% on current population projections.
- Many election promises were not delivered in Budget 2024, including:
 - 13 new cancer drugs
 - 50 additional doctors per year
 - More nurses and midwives
 - Funding a new medical school
- Budget 2024 commits more new money to funding security guards for A&E departments than to training new medical staff.
- It is likely the government will not be able to deliver on its five health targets on current funding levels.
- Workforce shortages will not be addressed in any meaningful way. This is likely to increase stress levels across the workforce and encourage more trained medical staff to move overseas.

Introduction

New Zealand has a public health system that is cherished. The health system largely works because of the skills, talent, and sacrifice of the workers within it – be they front line or back office. However, it has become increasingly clear that systematic underfunding of health needs, higher demands on the service, and one-off factors such as the COVID-19 pandemic have stretched it to breaking point.

There is a need to make sure that funding for our health system grows to meet demand, and to deliver the levels of care New Zealanders require. This should be the starting point for any discussion of New Zealand’s health investment.

This paper examines the Health Budget for 2024/25 that was released on 30 May. It builds on analysis published by the Association of Salaried Medical Specialists (ASMS) and the New Zealand Nurses Organisation (NZNO), and analysis provided to the NZCTU by the Public Service Association. All data discussed in this report comes from Budget documents and analysis published by ASMS/NZNO.

Budget 2024 Vote Health Expenditure

When adjusted for inflation and forecast population growth, overall operating expenditure falls behind previous Budget levels. Budget 2024 does not appear to allow for any additional investment to address New Zealand’s growing health needs.

Overall, the government has maintained the level of operational health spending in nominal terms. But after adjusting for inflation, the level of operational expenditure in health is programmed to fall by \$774 million compared to the previous fiscal year (see Table 1).

On a per capita basis – the amount of money spent on health per head of population – operational funding will fall in both nominal and real (i.e., inflation-adjusted) terms (see Table 2). Health services are being asked to do more with less for every patient.

Table 1: Total health operational expenditure (\$ million)

	Est. actual 2023/24	Budget 2024/25	\$ difference	% difference
Nominal	26,262	26,354	93	0.35%
Real (base = 2023/24)	26,262	25,488	-774	-2.95%

Source: NZ Government; Treasury. **Note:** Real expenditure calculated using Treasury’s CPI forecast of 3.4% for the year ending 30 June 2024.

Table 2: Health operational expenditure per capita

	Est. actual 2023/24	Budget 2024/25	\$ difference	% difference
Nominal	\$4,938	\$4,874	-\$63	-1.28%
Real (base = 2023/24)	\$4,938	\$4,714	-\$223	-4.53%

Source: NZ Government; Treasury.

Note: Real expenditure calculated using the Treasury’s CPI forecast of 3.4% for the year ending June 2024. Per capita expenditure calculated using Treasury’s population forecasts for the years ending 30 June 2024 and 30 June 2025.

As ASMS/NZNO's analysis shows, Vote Health received an additional \$1,739 million for 2024/25, which is 6.2% above the estimated actual spending for the previous year (from \$27,898 million to \$29,637 million).

The significant source of this increase is in capital investment, which rose from \$1,635 million in 2023/24 to \$3,383 million in 2024/25. Most of this increase has been set aside to deal with historical claims under the Holidays Act. Paying those claims is essential, but it does not buy any additional capacity within the health system. Actual new capital investment after the holiday pay allocation was in line with the previous year's capital allocation.

On a net basis, Vote Health's operational budget increased by just \$93 million (or 0.35%) from estimated actual spending of \$26,262 million in 2023/24 to \$26,354 million budgeted for 2024/25. This small increase is because a total of \$2,093 million in funding has been discontinued or ended. Table 3 overleaf breaks down these changes.

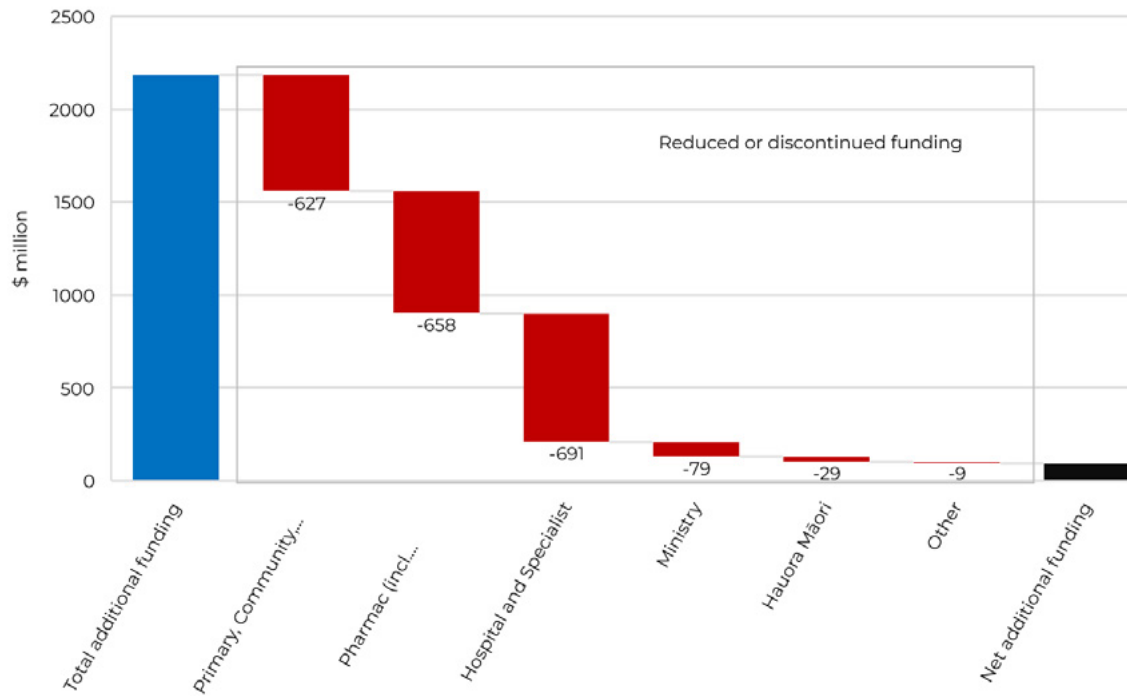
As reported in the [NZCTU's May Economic Bulletin](#), most of the additional operational funding is allocated to meet cost pressures in 2024/25 (\$1,430 million). At best, this extra spending will maintain current service levels, although Te Whatu Ora officials indicated in March that this is likely to fall short of what is needed. This is due to higher-than-anticipated inflation between the calculation date and the Budget. The population has also grown more quickly than expected, meaning that number will be challenged on two fronts.

Table 3: Vote Health total operational expenditure (\$ million)

	Est. Actual 2023/24	Budget 2024/25	Additional funding	Reduced and discontinued funding	\$ net difference	% difference
Hospital and Specialist Services	14,382	14,611	920	691	229	1.59%
Primary, Community, Population Health	8,984	9,088	731	627	103	1.15%
Hauora Māori	704	749	74	29	45	6.44%
Pharmac (incl. management)	1,836	1,611	433	658	-225	-12.25%
Ministry	279	229	28	79	-51	-18.18%
Other	76	67	0	9	-9	-11.71%
Total	26,262	26,354	2,186	2,093	93	0.35%

Source: ASMS/NZNO.

Figure 1: Reconciliation of operational health budget (\$ million)



Source: NZCTU Analysis of ASMS/NZNO Data.

Targeted funding

Planned care

Analysis from ASMS/NZNO highlights the lack of any dedicated funding to meet the planned care health targets. Te Whatu Ora advised the Minister of Health that extra funding will be needed to meet planned care targets. \$723 million was assessed as being needed between 2024/25 and 2026/27. However, no additional funding appears to have been set aside for this. Instead, a \$110 million time-limited fund to help clear this backlog was not renewed in Budget 2024.

Health targets

The government announced five new health targets in March 2024. These were:

- Faster cancer treatment – 90% of patients receive cancer management within 31 days of the decision to treat.
- Shorter stays in emergency departments (ED) – 95% of patients admitted, discharged, or transferred from an ED within 6 hours.
- Shorter wait times for first specialist assessment – 95% of patients wait less than 4 months for a first specialist assessment.
- Shorter wait times for elective treatment – 95% of patients wait less than 4 months for elective treatment.
- Improved immunisation – 95% of children fully immunised at 24-months of age.

Little, if any, funding was made available to achieve the first four of these targets.

Pharmac

As ASMS/NZNO analysis shows, Budget 2024 provides \$420 million for the 2024/25 fiscal year to maintain current levels of access to medicine. The agency's overall funding in this Budget is \$225 million less than the actual spending in 2023/24. In other words, Pharmac is seeing a real terms reduction in its spending power. The scaling back of the COVID-19 vaccination programme accounts for much of this reduction in funding.

However, \$186 million of time-limited funding that was for the purchase of medicines was also ended in 2023/24. The government could have repurposed this funding to give certainty to the public that the 13 cancer treatments it had previously promised would be delivered.

Workforce development and pay

The Budget delivers 25 new doctor training places each year commencing from 2025. This is half the rate promised by [National](#) prior to the election.

Overall, the Government is committing more additional funding to provide security guards for A&E departments (\$30.8 million), than we are to train new doctors (\$21.7 million). Questions could be asked if we would need so many security guards if we had more doctors who could see patients more quickly.

Budget 2024 delivers no funding to increase the nurse workforce. This is despite the well-documented shortages of nurses in New Zealand.

There is no stated commitment to fully fund anticipated pay equity settlements for care and support workers, primary practice and urgent care nurses, Plunket, and hospice workers. All these workers have live pay equity claims.

Manatū Hauora (Ministry of Health)

As ASMS/NZNO analysis shows, funding for Manatū Hauora (Ministry of Health) has been cut by \$51 million compared to 2023/24. Many lines of expenditure have been reduced, including community water fluoridation, Smokefree Aotearoa 2025, and support for the Assisted Dying Service.

Of particular concern are reductions in evidence and policy advice appropriations within the Ministry, which fall 26% and 10% respectively. Cuts on this scale suggest that the Ministry will struggle to plan for future health needs effectively, or to provide strong policy advice to Ministers in the event of a significant health problem in New Zealand.

Hauora Māori

Hauora Māori (Māori Health) saw an increase in its overall appropriation of \$45 million in Budget 2024. This increase was comprised of \$39 million in funding for inflation and demographic changes, together with \$4 million for workforce training. “Added” to this was \$30.5 million from the disestablishment of the Te Aka Whai Ora (Māori Health Authority). All up this generates \$73.5 million in additional funding. However, this is then offset by discontinued or reduced funding of \$29 million. Overall, Hauora Māori receives just 3% of the total annual operational budget for health.

Whilst this funding increase is welcome, it is not clear if this overall sum of funding for Hauora Māori is the right amount, if it will deliver Māori health needs, and if it will reduce the large inequalities found between Māori and others in health outcomes. One of the ways that knowledge could have been delivered would have been through Te Aka Whai Ora – which was disestablished as part of this Budget.

Smaller agencies

One of the areas that is of particular concern to unions are cuts that have been made to agencies doing work that allies with health. For example, \$3.4 million has been cut from problem gambling support. Similarly, monitoring and accountability of health services will be compromised by cuts to the budgets of the Health and Disability Commissioner, and the Health Quality and Safety Commission (combined cuts of \$4.3 million). The Aged Care Commissioner sees real terms cuts this year. These are small agencies doing important, often vital work.

Mental health

Despite having a Minister for Mental Health, mental health services received little new funding at this Budget. \$6 million per year was provided to Gumboot Friday. Funding was provided for a pilot to support patients in emergency departments. A Community Sector Innovation Fund was created, although most of the money for this is simply recycled from other mental health spending. Together, these initiatives fall well short of what is needed to address New Zealand’s growing mental health needs.

Towards a sustainably funded health system

Budget 2024 will fail to get health services back on track. On a per capita basis, health investment is going backwards, while health needs are growing. With COVID-19 making another wave, and decades of underinvestment in the health system yet to be remedied, this means that our already-stretched health system will be put under further pressure. It means that many of New Zealand's growing health investment needs, generated by a rising population, increasing health costs, and changing demographics, will go unmet.

Overseas jurisdictions are looking to lure our medical workforce overseas with better pay and conditions. Budget 2024 will make these offers all the more attractive to New Zealand's stressed medical workforce.

Users of health services in New Zealand – which is everyone – deserve a better conversation about how to deliver the health services that we need and how the cost for these services should be borne, recognising that many of those who are currently bearing the costs have the least ability to pay.

Budget 2025 will present another opportunity to address the shortages being generated by this Budget. The coalition government needs to take that opportunity to invest properly in health services and health workforces.

The NZCTU believes the following actions are essential steps in achieving the right level of health investment:

- Spending money in health will only make a difference if there are workforces there to deliver better health outcomes. A long-term workforce development plan is needed that identifies the quantity of workers required, how these workers will be trained in New Zealand, and the resources that need to be mobilised to make this happen.
- Government needs to be transparent about how it calculates health care needs. Every year, the Treasury provides a cost-pressure estimate for health. This informs the government's allocation of additional operating funding for health each year. However, the public lacks access to how these estimates are generated and what criteria are used in their generation. This makes it difficult to determine if Budget allocations are sufficient to meet actual need.
- Government needs to adopt a systematic approach to thinking about health care. Many of the health care problems that affect New Zealanders can be addressed long before they reach the hospital or even the GP clinic. It is well understood, for example, that our poor-quality housing stock contributes to high levels of respiratory illness. It is equally well understood that poverty is a major driver of poor health. By addressing these problems head on, government can both improve health outcomes for New Zealanders and reduce service pressure on the health care system.

nZCTU

Te Kauae Kaimahi

