

# How the money flows

## From Treasury to General Practice

Helen Parker October 2020

# This session

Overview of Vote Health

How it's formulated and allocated

How it flows through the system

How we allocate PHO funds

Locality views

What's coming on the horizon

And why primary care is such good value for what it gets

And hopefully a dry topic will come alive!



# ‘Vote Health’ – NZ health budget



- Annual budget announced - funded via general taxation
- Population-Based Funding Formula (PBFF)
- Ministry of Health uses the PBFF to distribute funding to DHBs, which in turn provide or fund health services within their districts. (75.4% of total budget)
- The allocation that each DHB receives is determined by the number of people in their catchment areas, their ethnicity, sex, age and relative deprivation.
- Adjustors are also included to account for diseconomies of scale related to rurality, overseas visitors and unmet need.
- One of the single largest determinants of government expenditure.

\$20.27 billion in  
2020/21

Treasury



Ministry of Health



Nationally Funded  
Services

e.g. blood service,  
maternity care  
disability services

District Health Boards



Hospital

Community Services

NGOs

Public Health Services

Aged Residential Care

Pharmaceuticals

PHOs

PHO Management Fee

PHO provided service contracts

Rural funding

Health Target performance funding

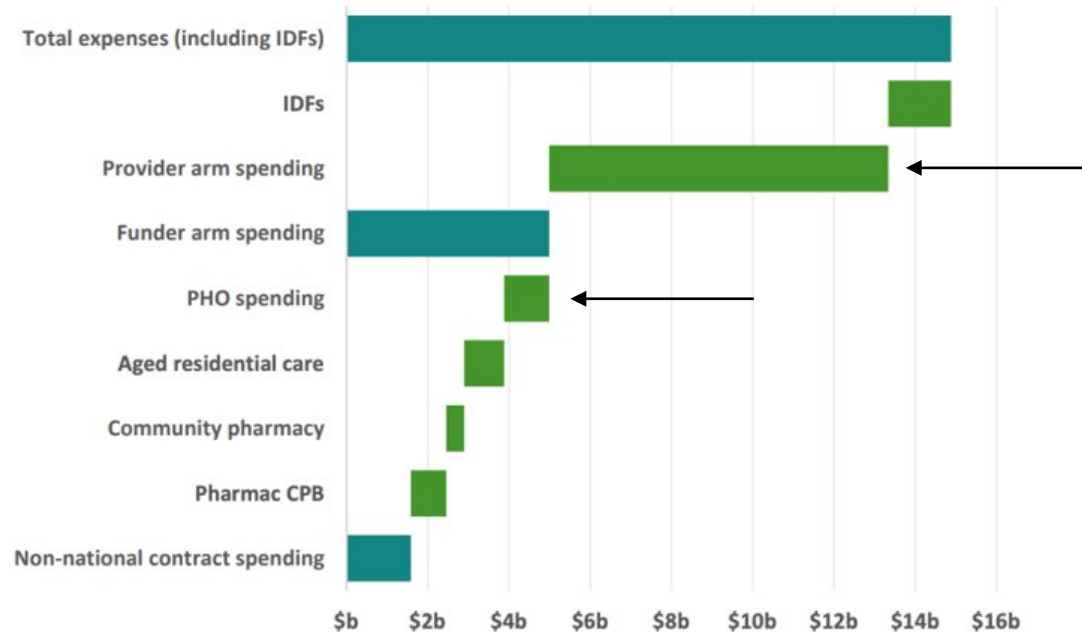
Capitation

Flexible Funding

(used to be SIA, Care Plus, Health Promotion)

Who  
ate the  
pies?

FIGURE 4.4: ALLOCATION OF DHB FUNDING, 2017/18



Note: CPB = combined pharmaceutical budget; IDF = inter-district flow; PHARMAC - Pharmaceutical Management Agency; PHO = primary health organisation.

SOURCE: MINISTRY OF HEALTH, DHB FINANCIAL ACCOUNTS.

# What's on the horizon?



- Most new funding will be targeted at Māori health equity
- Cash strapped DHBs not investing in primary care
- Potential disruption of current funding e.g. vaccinations

**A primary care funding review!**

*Among New Zealand's strengths are:*

- *a publicly funded, universal health system with a committed and highly trained workforce*
- *health services with a **strong focus on primary care** and a widely supported focus on wellness*

NZ Health Strategy 2016