

ANZSOG Case Program

Fast forward to a sustainable future for the Canterbury health system (POSTSCRIPT)

2017-164.4

After two devastating earthquakes in 2010-11, few would have expected Canterbury's health system to be largely back on its feet just a few years later – let alone receiving plaudits. Yet, after only a year, several national health targets were not only met but surpassed. By 2013, a state-of-the-art 'hospital of the future' was under construction. Health professionals from around the world were swelling the region's workforce. There was keen national and international interest in the innovative approaches adopted by the Canterbury District Health Board (CDHB) to capture the unprecedented opportunity the earthquakes had, perversely, enabled: to develop a sophisticated, patient-focused, truly integrated regional healthcare system. In 2013, a report by leading independent healthcare charity, the UK-based King's Fund, commended the CDHB's 'transformational' initiatives; a lead author said Canterbury was one of the world's health systems to watch.¹

For all the positive headlines, the CDHB recognised the enormity of the challenges ahead. Long-serving chief executive David Meates acknowledged that, alongside a culture of innovation, 'our ability to continue to work in partnership with a range of people and organisations with a shared vision' was crucial.²

Yet by 2017, the CDHB's partnership with its most important funder – central government – was in disarray. For several years, the CDHB had been challenging the Ministry of Health's population-based

This postscript was written by Margot Schwass, The Australia and New Zealand School of Government. It supplements the case *Fast forward to a sustainable future for the Canterbury health system* (2016-164.1), (2016-164.2) and (2016-164.3). It has been prepared from published materials as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation.

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¹ Watkins, T, 'Quake forces positive change on the health system', Fairfax NZ, 4 May 2013, <http://www.stuff.co.nz/the-press/news/8632845/Quake-forces-positive-change-on-health-system>.

² Canterbury District Health Board, *Transition 2012* (April 2012), p3, accessed from www.cdhb.govt.nz

funding model. It claimed its overall share of Vote Health had fallen because the model failed to acknowledge Canterbury's unexpectedly rapid population growth and persistent levels of deprivation since the earthquakes. In 2017-18, Canterbury would be home to nearly 12 percent of the country's population, said the CDHB, but receive only 10.84 percent of the total health budget. The Ministry of Health and Treasury strenuously defended the model and its underlying population estimates. They denied underfunding the CDHB, pointing to the provision of significant additional government funding to meet Canterbury's specific needs.³ And they urged the CDHB to implement cost-cutting measures recommended by PricewaterhouseCoopers to tackle the board's ballooning budget deficits: a forecast \$38.5 million deficit for 2016-17 had blown out to \$49 million by year's end, the largest of any health board in the country.⁴ Health Minister Dr Jonathan Coleman said the PwC review offered a clear plan to 'get the books back into the black'.⁵

But the CDHB stuck to its guns. In a statement released in mid-2017, acting chairman Sir Mark Solomon criticised the Government's funding formula for failing to address post-earthquake realities and called for a 'post-disaster policy framework which would allow different ways of funding health services in a unique, ever-changing environment'.⁶ The population-based model was to blame for the growing deficits, the CDHB insisted, and it disputed the viability of PwC's recommendations. Although Meates reported in August 2017 that \$90 million had been saved through 'efficiencies and costs avoided' in the past twelve months alone, a deficit of \$61 million was still forecast for the 2017 financial year. When the Health Ministry indicated such a deficit was 'unlikely to be acceptable', it was reduced to \$51.8 million. Any further cost savings would require 'significant service cuts of unprecedented scale', the CDHB cautioned.⁷

By July, the increasingly bitter disagreement was being played out on the national stage. Responding to an official information request, Treasury released a series of advisory documents prepared for ministers ahead of the May 2017 Budget; in the weeks that followed, more Treasury and Ministry of Health documents were made public. They showed Treasury accusing the CDHB of using 'public pressure and media channels to back Ministers into a corner' on funding, while remaining unable or unwilling 'to get the management team and clinicians to adopt adequate management disciplines'. Specific concerns were raised about the acting chairman, whom officials said had 'not proven effective' in the role. And they criticised previous government responses to the CDHB's claims of under-funding, describing them as a 'containment strategy of tactical injections of additional funding' that had simply 'reward[ed] lax financial control and brinkmanship in the annual planning cycle'.⁸

Board members and senior managers hit back at what they called these 'incredibly offensive' comments, some seeing the release of documents as an attempt to undermine the board's credibility before the general election in September 2017. They strongly defended the performance of the acting chairman and chief executive. Moreover, said one board member, 'We are operating in a financially responsible way but we are not ... getting enough funding – it's as simple as that.'⁹

³ Broughton, C, 'Is the Canterbury District Health Board getting a fair go?' 21 July 2017, Fairfax NZ, <https://www.stuff.co.nz/national/health/94906869/is-the-canterbury-district-health-board-getting-a-fair-go>.

⁴ 'Editorial: Will there be health cuts and will they hurt?', Fairfax NZ, 25 Aug 2017, <https://www.stuff.co.nz/national/health/96106907/editorial-will-there-be-health-cuts-and-will-they-hurt>.

⁵ Broughton, C, 'Report on Canterbury DHB finances out by \$13 million', Fairfax NZ, 24 Aug 2017, <https://www.stuff.co.nz/national/health/96058620/report-on-canterbury-dhb-finances-out-by-13-million>.

⁶ Broughton, C, 'Is the Canterbury District Health Board getting a fair go?'

⁷ Meier, C, 'No detail on health cut plans', *The Press*, 23 Aug 2017, edition 1, p3.

⁸ Treasury documents quoted in Kirk, S, and Broughton, C, 'Treasury's searing warning to ministers of Canterbury DHB tactics to pressure for money', Fairfax NZ, 13 July 2017, <https://www.stuff.co.nz/national/politics/94682000/treasurys-searing-warning-to-ministers-of-canterbury-dhb-tactics-to-pressure-for-money>. For the documents, see <http://www.treasury.govt.nz/publications/oiaresponses>.

⁹ Ibid.

In August, Sir Mark Solomon – also a prominent iwi leader – was overlooked when Government appointed a permanent chairman to the CDHB. The decision sent a ‘threatening message’, warned the head of the Association of Salaried Medical Specialists: ‘If I was the DHB's chief executive David Meates, who has consistently raised with much frankness the challenges and realities of trying to provide health care without enough resourcing post-quakes, then I'd be wondering if I too have a target on my back’.¹⁰ To others, central government’s seemingly hostile official attitude to the CDHB raised larger concerns. ‘If this is standard behaviour for the public sector,’ said one board member after Treasury’s document release, ‘I’m worried for this country’.¹¹

¹⁰ Small, J, and Broughton, C, ‘Canterbury District Health Board member “dumbfounded” by new chairman appointment’, Fairfax NZ, 4 Aug 2017, <https://www.stuff.co.nz/national/health/95398010/new-canterbury-and-south-canterbury-health-board-chairs-appointed>.

¹¹ ‘Solomon rejects Treasury apology’, *The Press*, 18 Aug 2017, edition 1, p3.