

Hon Tony Ryall

Minister of Health



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Speech

Health Workforce NZ Seminar Speech Notes Wellington

Thank you for asking me to open your seminar today.

I'm going to touch on three issues confronting the public health service:

The Canterbury earthquake, health finances and workforce

Canterbury:

Yesterday I travelled down to Christchurch for the third time following last month's devastating earthquake.

The way the public and private health services have pulled together in this time of great need should make us all proud.

Staff at Canterbury DHB had made an enormous effort in the months since the September 4 quake.

But what we have seen in the past fortnight is truly extraordinary.

Despite many losing their own homes, Canterbury health professionals and administrators have worked tirelessly caring for the seriously injured and their families.

I've been to Christchurch three times since the quake. It is amazing to see all the help arriving from all over New Zealand and the world.

But what is even more impressive is to see first hand, Cantabrians working with vigour, strength, and compassion.

Even as they suffered grief and personal adversity that makes the rest of us weep.

Just as the earthquake has changed the landscape in Christchurch, so will it change the landscape of public finances.

The Treasury estimates the total financial cost of damage from the

earthquake at between \$10 billion and \$15 billion – two to three times the estimated \$5 billion cost of the first earthquake last September.

This will be shared between central government, insurers, local government and businesses.

In addition, the wider economic impact of the earthquake combined with already slower economic growth than earlier projected, could reduce total tax revenue by a range of \$3 billion to \$5 billion over five years.

International Situation:

The global financial situation is still challenging and that remains a major risk for the economy. It is very fragile.

Around the globe, governments are making tough and often unpopular decisions to secure their financial and economic sustainability.

And health systems have not been immune from those decisions.

The Government in the UK - like us - has been confronted with massive deficits.

But over there, many public servants, including doctors and nurses, are facing a two-year wage-freeze.

And there are large-scale savings planned within the National Health Service totalling 20 billion pounds.

A major restructuring of the health service is underway with significant purchasing functions and money being put in the hands of GP groups.

In Italy, the Government passed an austerity package to achieve around \$50 billion of savings, which also includes a freeze on public sector wages.

Just recently, the former Irish Health Minister was pelted with red paint by protesters as tempers grew over her Government's slashing of \$1.76 billion from hospital funding. A 5% reduction.

The Irish had already cut public service salaries by up to 15%, including doctors, nurses and teachers.

In Spain, the government has cut public service pay by 5% and plans to freeze salaries from next year.

In Canada, the provincial health authorities are now taking tough measures to curb health costs.

Some of these include means testing, halving generic drug prices, fee for service payments to hospitals rather than block funding - and controls on the

salaries of top hospital executives and doctors.

Newspapers have reported 2,500 nurses in Ontario are losing their jobs.

Fortunately New Zealand's economy has weathered the storm better than most.

But we are still having to borrow an average \$300 million a week to protect and grow our important social services, including health, for many years.

This year alone the Government's cash borrowing is expected to be around \$15 billion.

Health Finances:

As we all know, the demand for better and more health services grows every year, always faster and stronger than any funding increases.

And stronger than the growth of the economy.

But New Zealand's investment in Health has kept pace with inflation and population change.

In 2009, Vote: Health got half of all new government spending - some \$750 million. The other 30 plus Votes shared the other half.

This year, Budget 2010 made available \$512 million to Health for new spending, some of it from reprioritised money within Health.

The next budget includes tighter financial parameters.

The additional spending envelope will reduce from \$1.1 billion to around \$800-900 million.

And the Canterbury earthquakes will also require significant contributions.

Like the rest of the public service the health sector cannot expect to be immune from the tightening financial situation that has resulted.

The Canterbury District Health Board is the principal public funding agent in the province.

It faces additional operating and staffing costs, transportation and other recovery-related costs, maintaining GP and pharmacy services infrastructure, as well as significant capital challenges yet to be quantified.

The public health service will have to carry its share of the financial impact of the Canterbury earthquakes.

No one expects Canterbury DHB to shoulder the financial burden alone – nor

could they.

The costs will be shared across the whole health service.

The Ministry of Health will endeavour to create some “headroom” to provide additional financial support for Canterbury DHB in the short-term.

The Ministry of Health is reviewing all discretionary spending with a number of projects and contracts likely to be scaled, slowed or deferred.

We are reviewing our Budget 2011 proposals for the same purpose.

There will be several hundreds of million of dollars of extra money in the budget for health.

The indicative DHB allocations for 2011/12 remain valid.

But we now have additional demands on the funding on top of this which would usually fund Ministry cost pressures, several small new initiatives, and more for DHBs.

In total, this means there will be additional demands on Vote Health than otherwise if the ‘quake had not occurred.

There will be more money for DHBs, though not as much extra as before the earthquake.

DHBs will have to continue focusing on best value for money, improving frontline services and reducing wasteful spending.

You’re here today discussing challenges around workforce.

Workforce:

We have an aging population, growing demand and competition from overseas for our doctors and nurses.

When we came to office this was placing enormous demands on our health services.

Here are a few things we know about our health workforce.

It’s getting older. The average age of a nurse is 45, and of our doctors is 44.

It is also increasingly international. New Zealand relies on overseas trained doctors and nurses more than any other country in the OECD and they are very mobile.

We are grateful and pleased to have international health professionals come here to work.

We have taken significant steps to grow and retain our home-grown workforce.

We are educating more doctors – with a five year track to lift medical school places from 365 to 565.

We have targeted some of the hard to staff specialties through the voluntary bonding scheme.

This aims to encourage young health graduates to establish careers in hard to staff specialties and communities in New Zealand.

It offers payments against graduates student loans or cash incentives for those that do not have a loan for three to five years.

It's proved very popular with over 1500 registrants.

But we will continue to welcome overseas health professionals here to New Zealand.

Earlier, I commented on the changing international economic environment and the impact this is having on public health services in many countries.

There are a couple of factors that will add to the flow of international health professionals around the globe.

One is the significant financial and restructuring pressures in Britain's National Health Service.

It is estimated 50,000 of the 1.4m staff in NHS will be made redundant over the next few years.

Already there are reports of cutbacks of almost 1,000 jobs in two London hospitals alone – including significant numbers of nurses and doctors.

Many of these professionals will seek to leave Britain, a traditional source of staff for us.

Second, a bow wave of medical graduates in Australia is about to find there are not enough jobs for them in Australian hospitals.

This year we are employing 20 or so first year Australian medical graduates in New Zealand and many of the surplus Australians may look to New Zealand in the future.

However, as I said earlier, we are increasing our own graduate numbers and will assure those young people of positions here in New Zealand.

Over the past two years, the National Government has sought to grow and protect the public health service.

We have also sought to focus on retaining our health professionals through providing more opportunities for clinical leadership and research.

We have also cut taxes that see an average hospital specialist benefiting by \$7,000 per year in the hand.

The global financial crisis has had a marked impact on the workforce across the economy.

Vacancy rates in hospitals for example are at an all-time low: we have more doctors and more nurses.

Since November 2008, the public health service now has over 500 extra doctors and well over 1000 extra nurses.

There are more doctors and nurses employed in the public health service than ever before.

While we have more doctors than ever before, there are shortages in some key specialties like medical oncology, paediatric oncology and pathology.

The key specialty shortages are challenging as they reflect an international shortage in these specialties.

Nursing vacancies are at an all-time low and staff turnover has fallen dramatically.

We have also more allied health staff.

And there are more general practitioners working in primary care than at any other time.

Latest Medical Council workforce data confirms this, as does membership of the Royal College of GPs.

Retaining our workforce remains a major priority for the Government.

At a time when many other countries are reducing their workforces and their investment in health, we have been growing and protecting our health services.

Our frontline staff and their support managers are delivering for New Zealand patients – record elective surgery, shorter waiting times, timely cancer treatment and faster emergency departments.

On top of this we are making real progress in public health with record levels of immunisation, substantial tobacco excise increases, more smoking cessation and diabetes support

We face huge challenges and huge advantages.

The challenges are the Canterbury quakes, health finances and workforce.

The advantages are a strongly professional, committed workforce that's doing better and better every year.

And a Government determined to protect and grow the public health service.

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