



EMBARGOED UNTIL DELIVERY
CHECK AGAINST DELIVERY

HON R O DOUGLAS
MINISTER OF FINANCE

ADDRESS TO THE HOSPITAL BOARDS' ASSOCIATION
BIENNIAL CONFERENCE

DATE: TUESDAY, 17 MARCH 1987

TIME: 4.30 PM

VENUE: THE SHERATON HOTEL
ROTORUA

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THANK YOU FOR INVITING ME TO SPEAK TO YOUR CONFERENCE
ALONG WITH MY COLLEAGUE, THE MINISTER OF HEALTH.

DR/MIKE BASSETT AND I HAVE HAD

A SERIES OF CONVERSATIONS ABOUT HEALTH ISSUES --
MORE PARTICULARLY, ABOUT THE HOSPITAL SYSTEM --
OVER THE LAST MONTH OR TWO.

THE OUTCOME OF THIS WAS THAT WE DECIDED JOINTLY
TO INITIATE A REVIEW OF THE HEALTH SECTOR.

DR BASSETT HAS ALREADY MADE A
PRELIMINARY ANNOUNCEMENT ABOUT THIS.

2

WE REGARD THIS CONFERENCE AS AN APPROPRIATE FORUM
FOR EXPLAINING IN MORE DETAIL
WHAT WE WANT THE REVIEW TO ACHIEVE
AND HOW WE SEE IT OPERATING.

I WOULD ALSO LIKE TO SPEND SOME TIME WITH YOU
TALKING ABOUT THE CONCERNS I HAVE,
AS MINISTER OF FINANCE, ABOUT THE
HEALTH SERVICES IN NEW ZEALAND TODAY.

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MUCH OF THE GOVERNMENT'S ECONOMIC STRATEGY
IS DIRECTED AT DEALING WITH WHAT
OUR ECONOMIC ADVISERS CALL
"THE GROSS MISALLOCATION OF RESOURCES"
IN THE NEW ZEALAND ECONOMY.

IN OTHER WORDS, MUCH OF OUR NATURAL ASSETS --
OUR WEALTH, OUR LABOUR -- HAVE BEEN TIED UP IN ACTIVITIES
THAT WERE DOING US LITTLE OR NO GOOD
IN TERMS OF GENERATING GROWTH:
NEW EMPLOYMENT AND HIGHER LIVING STANDARDS.

MUCH PAST GOVERNMENT INVOLVEMENT HAS ACHIEVED
QUITE THE REVERSE.

THIS SITUATION HAD DEVELOPED LARGELY AS A RESULT
OF A MASS OF INCONSISTENT GOVERNMENT INTERVENTIONS IN THE ECONOMY
THAT HAD GROWN UP OVER THE YEARS.

MANY OF THE INTERVENTIONS --
SUBSIDIES, REGULATIONS, ETC --
WERE NO LONGER SERVING THE PURPOSE
THEY WERE INTENDED TO ACHIEVE.

AND IN MANY CASES, THEY HAD NEVER SERVED ANY USEFUL PURPOSE.

WHAT WAS NEEDED WAS A ROOT-AND-BRANCH REVIEW
OF GOVERNMENT INTERVENTIONS IN THE ECONOMY --
TO GET RID OF THOSE THAT DISTORTED AND STIFLED GROWTH,
AND TO LEAVE IN PLACE AN ENVIRONMENT THAT WILL
ENCOURAGE THE BEST USE OF OUR RESOURCES.

THE HEALTH SECTOR IN NEW ZEALAND SUFFERS VERY SIMILAR PROBLEMS,
AND FOR SIMILAR REASONS IN MANY INSTANCES.

OVER THE YEARS, A HOTCH-POTCH OF DIFFERENT POLICIES
HAVE BEEN PUT IN PLACE TO ASSIST PEOPLE
TO GET HEALTH CARE WHEN THEY NEED IT,
TO ENCOURAGE A SAFER, HEALTHIER ENVIRONMENT,
TO PROTECT THE PUBLIC FROM
INCOMPETENT PRACTITIONERS AND SO ON.

BUT THERE IS VIRTUALLY UNIVERSAL AGREEMENT THAT THE
EXISTING SYSTEM OF DELIVERING HEALTH SERVICES
IS NOT ACHIEVING ITS OBJECTIVES AND,
IN SOME INSTANCES, IS FALLING DOWN BADLY.

TOO OFTEN, GOVERNMENT ASSISTANCE INTENDED
FOR THE BENEFIT OF PATIENTS --
THE CONSUMERS OF THE HEALTH SERVICES --
IS CAPTURED BY THE PROVIDERS OF THE SERVICE.

A CLASSIC CASE IN POINT IS THE ONGOING SAGA OF
GOVERNMENT ATTEMPTS TO GIVE GREATER ASSISTANCE TO
CHILDREN'S PRIMARY HEALTH CARE.

INCREASES IN THE CHILD GMS BENEFIT ARE NEVER
FULLY PASSED ON TO PATIENTS.

LIKEWISE, REGULATIONS WHICH ARE SUPPOSED TO EXIST
SOLELY TO PROTECT PATIENTS,
IN MANY CASES FUNCTION CHIEFLY TO
PROTECT MEDICAL PRACTITIONERS .

UNEVEN RATES OF GOVERNMENT ASSISTANCE FOR DIFFERENT SERVICES
AND DIFFERENT CATEGORIES OF PATIENT CREATE ALL SORTS OF
UNFAIR AND WASTEFUL ANOMALIES.

THE HEALTH BENEFITS REVIEW TEAM REPORT DID AN
EXCELLENT JOB OF DRAWING ATTENTION TO THIS.

THE PROBLEMS WITH ACC LARGELY STEM FROM THIS.

THE COMPARATIVELY HIGH RATE OF ASSISTANCE DELIVERED THROUGH ACC
VIRTUALLY INVITES ABUSE.

AND IT IS OBVIOUSLY DIVERTING RESOURCES INTO CERTAIN AREAS,
SUCH AS SPORTS INJURIES,
AND OTHER SHORT-TERM AND MINOR PROBLEMS,
AND AWAY FROM MORE URGENT HEALTH NEEDS ELSEWHERE.

WE GIVE PROMPT SERVICES AND GENEROUS INCOME SUPPORT TO
SOMEONE WHO PULLS A MUSCLE AT JAZZERCISE,
NO MATTER HOW WEALTHY THEY ARE, AND EVEN IF
THEY HAVE PRIVATE MEDICAL INSURANCE.

BUT SOMEONE WITH CRIPPLING RHEUMATOID ARTHRITIS
PAYS ALL THEIR OWN GP BILLS,
WAITS IN PUBLIC SECTOR WAITING LISTS FOR SERVICES
AND WAITS IN THE QUEUE DOWN AT SOCIAL WELFARE
FOR THE SICKNESS BENEFIT.

IT IS CONTRARY TO ANY IDEA OF EQUITY OR EFFICIENCY
TO LET THIS SITUATION GO ON, AND EVERYONE
INVOLVED IN THE SYSTEM KNOWS THAT.

BUT, JUST LIKE ALL THE OTHER CASES OF
SPECIAL GOVERNMENT ASSISTANCE
OR SUBSIDY FOR A PARTICULAR GROUP,
THE ACC SCHEME HAS CREATED VESTED INTERESTS
WHO HAVE DONE VERY WELL OUT OF IT --
ACC HAS BEEN A BONANZA SOME
PRIVATE HEALTH PRACTITIONERS.

ONCE AGAIN, PROVIDERS OF SERVICES HAVE CAPTURED
THE BENEFITS OF HEALTH EXPENDITURE,
AT THE EXPENSE OF THE PEOPLE OUR HEALTH SERVICES
REALLY SHOULD BE DOING MORE FOR.

THE COST OF SEEING A GP HAS REACHED A LEVEL
WHERE THERE IS REAL CAUSE FOR CONCERN AS TO WHETHER
LOW INCOME PEOPLE HAVE ADEQUATE ACCESS TO CARE
AND ALL THE OTHER SERVICES WHICH REQUIRE GP REFERRAL.

THE RESPONSE AMONG THOSE THAT CAN AFFORD IT
IS A RUSH TO PRIVATE MEDICAL INSURANCE.

SO, WE ARE GETTING A WIDENING GAP IN
ACCESS TO HEALTH CARE.

BUT, GIVEN THE PRESENT SYSTEM OF GOVERNMENT INTERVENTIONS IN HEALTH,
THE GOVERNMENT CAN DO VERY LITTLE ABOUT IT.

IF WE PUT ANOTHER X MILLION DOLLARS INTO THE GMS BENEFIT,
WE WON'T GET X MILLION DOLLARS EXTRA ASSISTANCE
GOING TO PEOPLE WHO NEED HEALTH SERVICES.

STRICTLY SPEAKING, WE CANNOT GUARANTEE THAT ANY OF THAT ASSISTANCE
REACHES THE CONSUMER OF PRIMARY HEALTH CARE.

AND I HAVE TO SAY THAT THE BULK OF THE
SUBSTANTIAL INCREASE IN EXPENDITURE ON
HOSPITAL SERVICES THIS YEAR HAS GONE TO
BENEFIT THE PROVIDERS OF SERVICES
IN SALARY INCREASES AND BACKPAY.

OBVIOUSLY, RELIEVING STAFF SHORTAGES IS GOOD FOR PATIENTS.

BUT WE CAN'T AFFORD TO USE A BLUNDERBUS OF
PAY INCREASES ALL ROUND TO DEAL WITH
SHORTAGES IN PARTICULAR AREAS.

AND, UNLESS WE TACKLE ALL THE UNDERLYING CAUSES OF STAFF SHORTAGES,
WE CAN EXPECT TO FACE THESE SORTS OF SALARY DEMANDS
AS A REGULAR OCCURRENCE.

AS MINISTER OF FINANCE, IT WOULD BE
UTTERLY IRRESPONSIBLE FOR ME TO PUT MONEY INTO HEALTH
IF I CANNOT BE CONFIDENT OF GETTING VALUE FOR MONEY OUT.

AND VALUE FOR MONEY IN HEALTH MEANS
VALUE FOR THE CONSUMERS IN THE SYSTEM,
FIRST AND FOREMOST.

IT MEANS COST-EFFICIENT PROVISION OF SERVICES.

AND, EQUALLY IMPORTANT, IT MEANS EQUITABLE PROVISION OF SERVICES.

RESOURCES MUST GO TO PROVIDING HEALTH SERVICES
FOR EVERYONE WHO NEEDS ACCESS TO THEM
REGARDLESS OF INCOME.

BUT THE FACT IS, GIVEN THE
PRESENT STATE OF THE HEALTH SYSTEM,
I CANNOT BE SURE THAT MONEY IN IS VALUE OUT.

THERE IS NO POINT IN THE GOVERNMENT
THROWING MORE MONEY AT HEALTH PROBLEMS
UNTIL WE START MAKING SURE THE HEALTH SECTOR IN NEW ZEALAND
IS WORKING FOR THE CONSUMER.

THERE IS AN URGENT NEED FOR A RADICAL REVISION
OF THE WAY THAT GOVERNMENT IS
INTERVENING IN THE HEALTH SECTOR.

AT THIS POINT, COULD I STRESS THAT I DO NOT SEE
THE HEALTH SECTOR AS SIMPLY ANOTHER INDUSTRY
LIKE FORESTRY, AGRICULTURE, THE FINANCIAL SERVICES
AND SO ON.

I BELIEVE THAT IT IS THE RESPONSIBILITY OF THE GOVERNMENT
TO MAKE SURE THAT ALL NEW ZEALANDERS HAVE ACCESS
TO ADEQUATE HEALTH CARE, REGARDLESS OF INCOME.

THIS EQUITY OBJECTIVE MUST BE GIVEN THE UTMOST IMPORTANCE
IN OUR REVIEWS OF HEALTH POLICY.

THE GOVERNMENT MUST ALSO AIM FOR A POLICY ENVIRONMENT
WHICH ENCOURAGES RESOURCES IN THE HEALTH SECTOR
TO BE USED IN WAYS THAT WILL DO THE MOST GOOD
IN TERMS OF IMPROVING PEOPLE'S HEALTH STATUS.

PUTTING RESOURCES TO THEIR MOST EFFICIENT USE IS THE WAY
TO ACHIEVE THE GOAL OF BETTER HEALTH.

I AM WELL AWARE THAT MEASURING THE
BENEFITS SIDE OF THE HEALTH EQUATION PRESENTS PROBLEMS
THAT DO NOT ARISE IN ORDINARY BUSINESS ACTIVITIES.

BUT THE FACT IS, THERE IS FAR TOO LITTLE MEASUREMENT
OF THE COSTS SIDE OF THE EQUATION,
AND FAR TOO LITTLE ACCOUNTABILITY
FOR WHERE RESOURCES GO.

NEW ZEALAND IS NO LONGER A WEALTHY NATION,
IN TERMS OF PER CAPITA GDP.

IT IS ABSOLUTELY IMPERATIVE THAT WE FIND WAYS
TO USE OUR RESOURCES MORE EFFICIENTLY
IN PURSUING OUR SOCIAL POLICY GOALS.

MUCH OF THE GROUNDWORK FOR POLICY CHANGE
IN THE HEALTH SECTOR HAS ALREADY BEEN LAID.

WE HAVE A STOCK OF RESEARCH PAPERS AND
REVIEW TEAM REPORTS TO DRAW UPON.

BOTH DR BASSETT AND MYSELF ARE CONCERNED TO MAKE SURE
THAT THIS LATEST HEALTH SECTOR REVIEW DOES NOT
JUST ADD TO THE PILE OF PAPER.

WE WANT IT TO BE AN ACTION-ORIENTED REVIEW
THAT WILL DRAW UPON THE RESEARCH
THAT HAS ALREADY BEEN DONE
AND TAKE IT FORWARD TO THE
IMPLEMENTATION STAGE.

THE REVIEW WILL BE ABLE TO BUILD ON
MUCH OF THE WORK THAT HAS BEEN DONE
BY THE HEALTH BENEFITS REVIEW TEAM,
BUT IT WILL FOCUS MORE ON THE
70 PERCENT OF HEALTH EXPENDITURE
THAT GOES TO HOSPITAL SERVICES.

HOWEVER, WE THOUGHT IT WAS IMPORTANT NOT TO LIMIT
THE REVIEW TASK FORCE TO LOOKING SOLELY
AT THE PUBLIC HOSPITAL SYSTEM.

ANY REVIEW OF THE HEALTH SECTOR MUST KEEP ITS
SIGHTS ULTIMATELY ON THE GOAL OF BETTER HEALTH.

KEEPING PEOPLE OUT OF HOSPITAL IS A LARGE PART
OF ACHIEVING THAT GOAL.

WE WANT TO AVOID THE PITFALL OF PUTTING
HEALTH PROMOTION AND PREVENTATIVE HEALTH
IN A SEPARATE BOX THAT GETS TACKED ON TO
THE SYSTEM ALMOST AS AN AFTERTHOUGHT.

THE HEALTH BENEFITS REVIEW TEAM REPORT
EMPHASISED THE IMPORTANCE OF LOOKING AT THE
LINKAGES BETWEEN DIFFERENT PARTS OF THE HEALTH SYSTEM:
PUBLIC AND PRIVATE PROVISION,
PRIMARY AND INSTITUTIONAL CARE,
AND SO ON.

THEIR REPORT ALSO HIGHLIGHTED THE LINKAGES
BETWEEN OUR INCOME MAINTENANCE PROGRAMMES AND THE
ASSISTANCE WE GIVE FOR HEALTH SERVICES.

THE HEALTH SECTOR REVIEW MUST
TAKE HEED OF THESE LINKAGES.

THE INTERACTION BETWEEN THE PUBLIC AND PRIVATE HOSPITALS SYSTEMS
IS LIKELY TO BE OF PARTICULAR RELEVANCE.

A WEEK OR SO AGO, PETER TAPSELL DREW ATTENTION TO
SOME OF THE PROBLEMS THAT CAN ARISE BECAUSE OF
DISPARITIES BETWEEN THE RENUMERATION SYSTEMS
FOR PRIVATE AND PUBLIC HOSPITAL WORK.

I PERSONALLY DO NOT BELIEVE THAT THE SOLUTION HE SUGGESTED
IS THE ONLY SOLUTION, OR NECESSARILY THE BEST ONE.

BUT I AGREE WITH HIM THAT WE HAVE TO START LOOKING AT
PRIVATE AND PUBLIC HEALTH SERVICES AS PARTS OF ONE SYSTEM.

HIS COMMENTS ALSO ILLUSTRATE THE IMPORTANCE OF
LOOKING AT THE INCENTIVES THAT OPERATE ON
ALL THE VARIOUS PARTICIPANTS IN THE HEALTH SECTOR.

IN MY VIEW, THE HEALTH SECTOR REVIEW WILL SUCCEED
IF IT IS ABLE TO RECOMMEND CHANGES THAT WILL HELP TO
LINE UP THE INCENTIVES IN THE SYSTEM
MORE CLOSELY WITH OUR OBJECTIVES FOR HEALTH.

ANY CHANGE HAS TO BE WORKABLE.

IT HAS TO PROVIDE ENCOURAGEMENT
FOR PEOPLE TO BEHAVE IN WAYS THAT
WILL LEAD TO BETTER ACCESS,
GREATER EFFICIENCY AND GREATER EFFECTIVENESS
IN HEALTH SERVICES.

IN OTHER WORDS, THE PROVIDERS OF HEALTH SERVICES
NEED TO BE ENCOURAGED TO ACT IN WAYS THAT
MATCH THEIR OWN OBJECTIVES WITH OUR
SOCIAL OBJECTIVES FOR HEALTH.

I AM CONVINCED THAT THERE IS MUCH TO BE
GAINED FROM IMPROVING MANAGEMENT STRUCTURES
AND SYSTEMS IN THE HOSPITAL SYSTEM.

WE MUST BE PREPARED TO LEARN FROM THE BEST OF
PRIVATE SECTOR BUSINESS MANAGEMENT PRACTICE.

THE PUBLIC HOSPITAL SYSTEM MUST ALSO BE ENABLED TO
RECRUIT MORE PEOPLE WITH THE RIGHT MANAGEMENT
AND FINANCIAL SKILLS.

IN THIS REGARD, WE HAVE BEEN EXTREMELY FORTUNATE
TO OBTAIN THE SERVICES OF SOMEONE OF THE CALIBRE OF
ALAN GIBBS, CHAIRMAN OF CERAMCO, AS A
CONSULTANT TO THE TASK FORCE.

THE OTHER CONSULTANTS WE HAVE APPOINTED,
DAME DOROTHY FRASER AND PROFESSOR JOHN SCOTT,
WILL ADD EXTENSIVE INSTITUTIONAL KNOWLEDGE AND
HEALTH-SECTOR SPECIFIC EXPERTISE.

THE CONSULTANTS WILL WORK WITH A FULL-TIME TASK FORCE OF
HEALTH DEPARTMENT AND TREASURY OFFICIALS ON THE REVIEW.

WE DID NOT WANT THE REVIEW PROCESS TO BE A
DRAWN-OUT FORMAL EXERCISE.

TO KEEP THE REVIEW WELL-FOCUSSED AND PRAGMATIC,
WE HAVE ASKED THE TASK FORCE TO WORK CLOSELY WITH
THE DIRECTOR-GENERAL OF HEALTH AND WITH
DR BASSETT AND MYSELF.

REGULAR FEEDBACK FROM THIS LEVEL SHOULD HELP THE
TASKFORCE TO EVOLVE WORKABLE POLICY DIRECTIONS
FOR THE REVIEW.

THE MESSAGE WE HAVE BEEN GIVEN IS THAT THERE HAS BEEN ENOUGH
NAVEL-GAZING AND PAPER WARFARE OVER THE PROBLEMS
IN THE HEALTH SECTOR.

THE TIME HAS ARRIVED TO START MAKING THINGS HAPPEN.

I AM OPTIMISTIC THAT THE HEALTH SECTOR REVIEW WILL BE
INSTRUMENTAL IN INITIATING POSITIVE CHANGE.

AND I WOULD URGE YOU TODAY TO BE PREPARED TO
LOOK AT NEW WAYS OF DEALING WITH OLD PROBLEMS,
AND TO BE RECEPTIVE TO THE POSSIBILITY OF
REAL REFORM IN THE HEALTH SECTOR.