DRAFT CONFIDENTIAL

National's Health Policy

National will restore confidence in New Zealand's hospital services by strengthening our public hospitals, and by making better use of NZ's private hospitals.

New Zealand's Health Challenges

National acknowledges the dedication and commitment of our health professionals in both the community and hospital sectors. It is their commitment that holds our health system together, and it is through building our delivery around their expertise that we can begin to address the many serious challenges facing our health system.

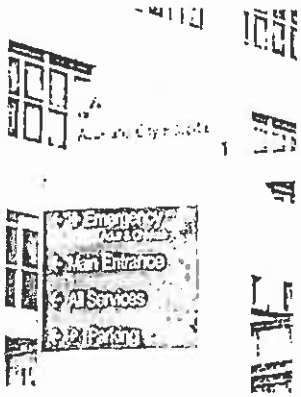
While there are many issues confronting our community or primary sector, particularly a deepening workforce shortage of doctors and midwives as too many New Zealanders move overseas for better wages, the problems are even more serious in our hospital sector. Amongst the most urgent issues are:

- Reducing access to elective surgery and worsening waiting lists;
- A deepening health workforce crisis; and
- Too much resource and power tied up in Ministry and DHB bureaucracy.

There are many other parts of our health system that are nearing crisis point. These include seriously stretched mental health services and emergency departments, cancer services, as well as persisting poor health outcomes for groups within our communities.

Within the primary health sector there are major questions, as yet unanswered, as to whether the huge extra spending is delivering the expected improvements in health outcomes, such as reduced hospital admissions. More time and evidence is needed to assess whether change in the primary sector is needed. Accepting this, and understanding that after years of major change stability is important, National will in the short term continue the current funding and approach to primary care, while a proper evaluation is completed.

In many other parts of the health sector, improvements and reviews are necessary. National has and will continue to address these important parts of the health system, particularly mental health, maternity, oral, aged care, disability, cancer and public health, up to the election in individual Associate Spokesperson announcements.



This, the centre of National's Health Policy, deals with three of the most important issues that National must address as a priority - waiting lists, workforce, and bureaucracy.

It is of utmost concern that elective surgical waiting lists and the health workforce have deteriorated over a period when public spending on health has almost doubled.

The Waiting list failure

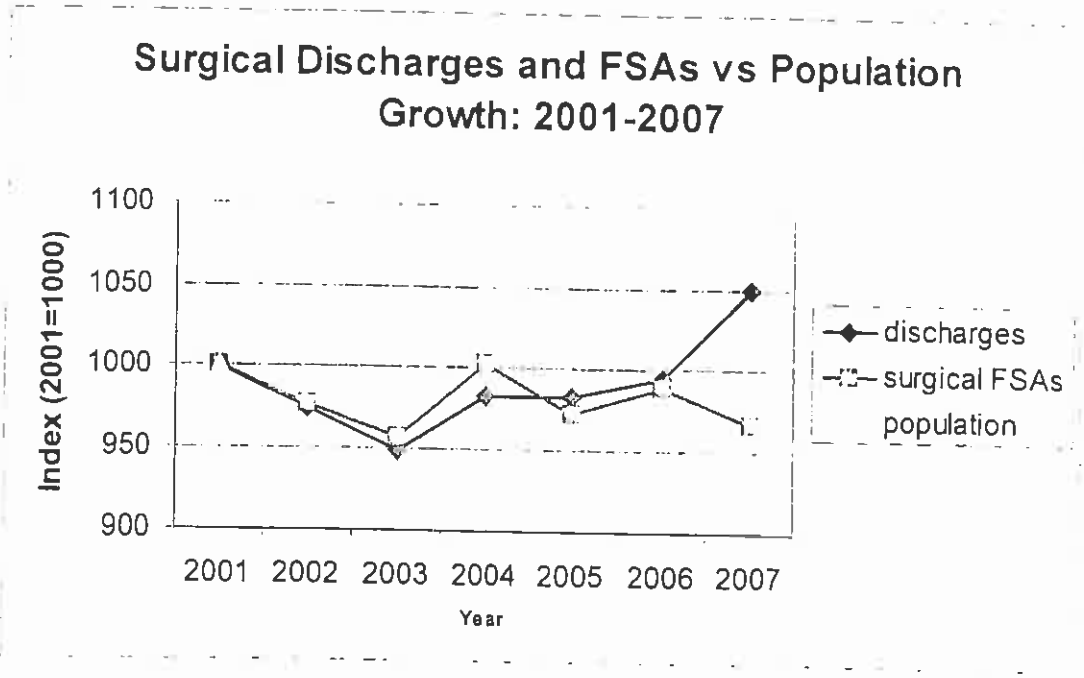
Elective surgery often covers serious and badly needed surgery. Increasingly acute demand is crowding out access to elective surgery.

Labour's elective waiting list failure is remarkable; a 3% real cut in elective surgery discharges per head of population, in the face of a 50% increase in real spending.

It is clear that without Labour's manipulation and culling of the full elective surgical waiting list, the real waiting list today would now total around 80,000.

There is however an even worse indicator of elective failure. Surgical First Specialist Assessments, the specialist appointment where patients' needs for elective surgery are assessed, have actually fallen from 250,500 in 2001 to 241,900 in 2007, a remarkable drop of 10% with population growth.

Today, patients must now be sicker and have worse health before GPs can get their patients a specialist assessment, let alone an operation.



This, when spending has soared, is unacceptable. But there is an even more pressing reality.

Medical research shows that elective surgery output needs to grow around 51% from 2001 to 2026 just to deliver the current inadequate levels of elective service, and grow by 77% to address total real elective need; from 108,541 publicly funded elective patients discharged in 2001, to 192,000 a year in 2026 - just 18 years' time.

Turning this around cannot be achieved in one, two or even five years. What is needed is a detailed initial short term plan, which focuses on building the hospital and workforce capacity to meet the surgical needs of 2026.

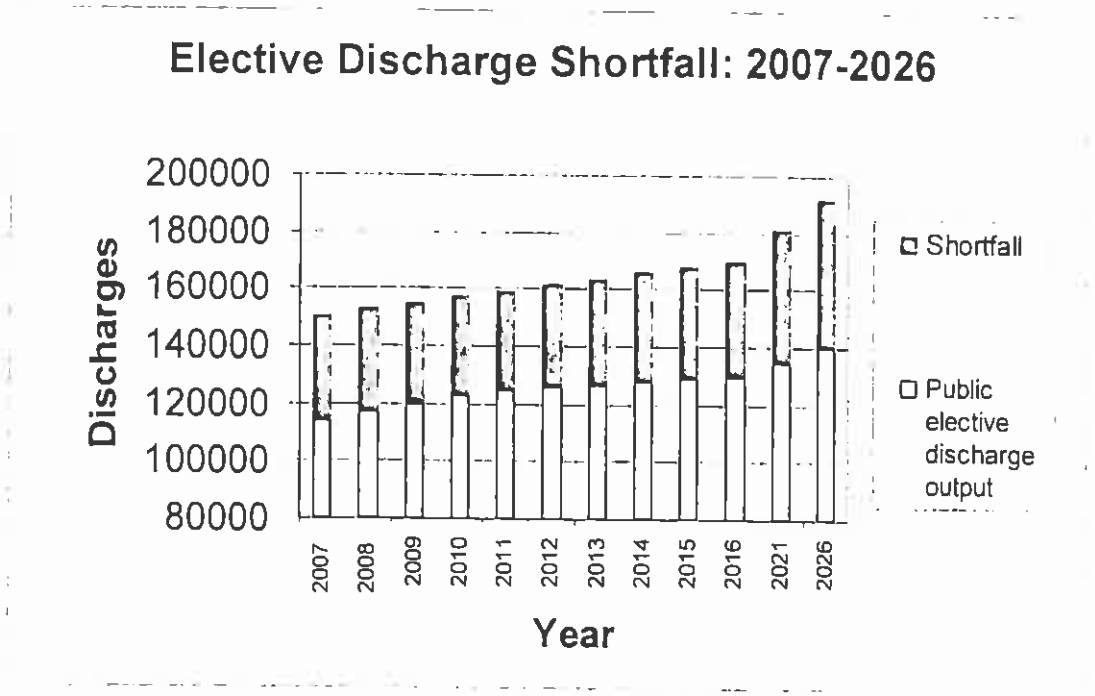
The best way to address the waiting list crisis is twofold: build public hospital theatres and capacity, and make better use of the private hospitals.

Building extra public hospital theatres and associated campuses, and training more professionals, will take years. It takes a minimum three years to build and bring a public hospital operating theatre into commission.

But the bigger challenge is providing the workforce. Just to grow surgeon numbers, a new medical student has six years at medical school, and then up to six years of practice in hospitals, before becoming a surgeon.

The challenge to address the workforce crisis is huge. To really address the growing exodus of health workers overseas, New Zealand must reverse the steady decline of the average NZ wage against the average Australian wage. This will take several years of lower taxes and better economic growth to turn the current decline around.

Understanding the current failure and trends, and the wide range of factors necessary to begin to address this failure, is essential to understanding National's new approach to health.



National's long term focus

Waiting Lists

Labour has artificially cut the waiting list from 70,000 to 40,000 simply by culling up to 30,000 from the lists in the year before this election. Because full lists of people for whom elective surgery is the best option are deliberately no longer recorded, the main means of measuring elective need is through comparing changes in yearly elective surgical discharges with population growth and aging.

Despite health spending rising 60% over the six years from 2001 to 2007, Ministerial answers admit that the number of elective surgery discharges had crept just 5%, from 108,541 to 113,946, by 2007. This is less than the population growth of 9%, and takes no account of increased need due to population aging.

The best available analysis now concludes that elective surgery needs to rise from the 108,541 patient discharges a year in 2001, to around 192,000 a year in 2026 to meet elective need.

National has an initial six-year plan to commence meeting this burgeoning waiting list challenge.

National's four foundation strategies to meet real elective surgery need are:

1. Building 20 additional public hospital theatres over the next four years.

2. Training the additional 750 health workers associated with this increased capacity, including surgeons, anaesthetists, RMOs, nurses and technicians.

3. Increasing elective surgery in private hospitals for persons aged 65 plus by providing a 30% rebate for health insurance taken out by persons aged 65 plus.

4. Giving greater funding certainty to DHBs to enable them to reap the benefits of longer term contracts with private hospitals for extra elective surgery.

1. Building 20 additional public hospital theatres over the next four years

To address the burgeoning hospital waiting lists, and the projected surge in numbers, we must aim to grow our numbers receiving publicly funded elective surgery from 114,000 in 2007, to 192,000 in 2026, just 18 years' time. That is well over 4,000 a year.

The greatest constraint on delivering higher levels of elective surgery are theatre capacity, including support wards and facilities, and workforce shortages. We can also work smarter through more specialist centred management.

Accordingly, above current plans, National commits to building an extra 20 public operating theatres over the next three years. From planning commencement straight after the election, these will take a minimum three years of construction before becoming operational.

While these theatres will in a minor degree deliver some degree of acute surgery, because they are additional, they are anticipated to be 75% available for elective use.

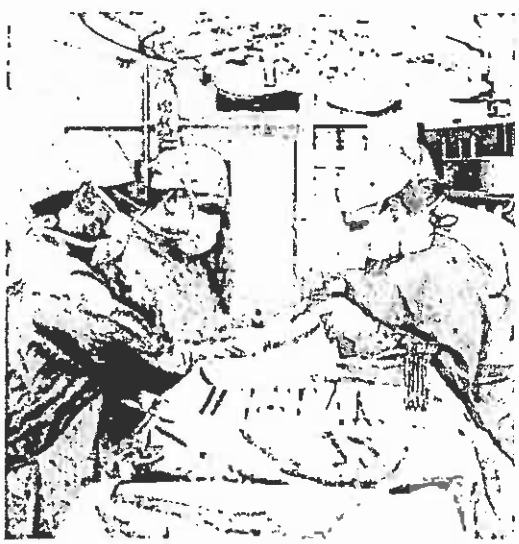
In addition to the capital costs involved with these, investment must be made in relation to the related pre- and post-surgery support facilities, including recovery beds, wards and CSSD facilities to name but some.

In all, this investment will provide substantial additional capacity to meet current and unmet elective need, with each theatre estimated to deliver approximately 1,000 elective surgical discharges a year. These theatres may well be optimal, for safety, capacity and workforce reasons if established in five groups of four theatres, with a total capital cost estimated at around $165 million over four years.

2. Increasing the numbers of surgeons, anaesthetists, RMOs, and nurses

Health workforce issues have reached such a point that the ways health services are delivered are increasingly defined by the availability of the skilled health workforce.

The wider health work force issues are addressed as a separate part of National's Health Policy - but to address waiting list need, training more health professionals is essential.



While building more theatres presents challenges, the even greater challenge in fact is to provide the associated workforce, which can be reasonably estimated at a remarkable additional 750 health professionals.

This includes an estimated 40 surgeons, 30 anaesthetists, 40 Resident Medical Officers, 476 nurses, 60 technicians, not to mention allied health professionals and others.

With four years' specialist training for approximately 40 additional surgeons and 30 anaesthetists, and an extra 470 nurses, the full training costs investment has been realistically assessed at around $20 million a year.

It is clear that while building the 20 theatres is likely to be achievable in four years, delivering the surgeons and lead professionals through New Zealand training is a bigger challenge.

3. Increasing elective surgery in private hospitals for persons aged 65 plus by providing a 30% rebate for health insurance taken out by persons aged 65 plus

In New Zealand there are around 200 public operating theatres, and around 150 private. More than 50% of public theatre time is used for acute surgery. The private theatre time is purely for elective. Not widely known is the reality that private hospitals deliver around 60% of New Zealand's elective surgery. To meet the current shortfall in access, but more importantly the huge future need, besides investing strongly in our public system New Zealand needs to better utilise private hospital capacity.

National wants to help people retain their health insurance as they age, as this will play a big part in lifting the level of insurance-funded elective surgery in New Zealand. While around half of New Zealanders in their mid-50s have health insurance, just a quarter of those aged 65 and over are covered. Providing a rebate will assist with making health insurance more affordable for those in retirement, and lead to higher coverage.

From 1 April 2009, those aged 65 and over will be entitled to a 30% rebate towards their health insurance, up to a maximum of $500. For someone paying an annual premium of $1500, this will mean their premium is reduced to $1050. National believes this will go a long way towards assisting with affordability of premium increases for those aged 65 and over.

Over the next six years, National's plan will help around 180,000 people aged 65 and over with retaining their health insurance, meaning an extra 40,000 people will enjoy insurance cover for their elective surgery needs. In the first six years, this policy will see an additional 25,000 to 35,000 insurance-funded elective surgical discharges.

The expected cost of the rebate is $40 million a year initially. However, over time, this is expected to be substantially offset either by savings in public elective surgery demand, or significantly lower the barriers to public hospital surgery.

Wider benefits can be expected, such as stimulating private hospital investment in new capacity and technology.

4. Giving greater funding certainty to DHBs to enable them to reap the benefits of longer term contracts with private hospitals for extra elective surgery

As this election has approached, the Government has become increasingly sensitive to its waiting list crisis, and has softened its longstanding dislike of the private hospital system to allow pressurised DHBs to contract elective operations they cannot do from the private hospitals.

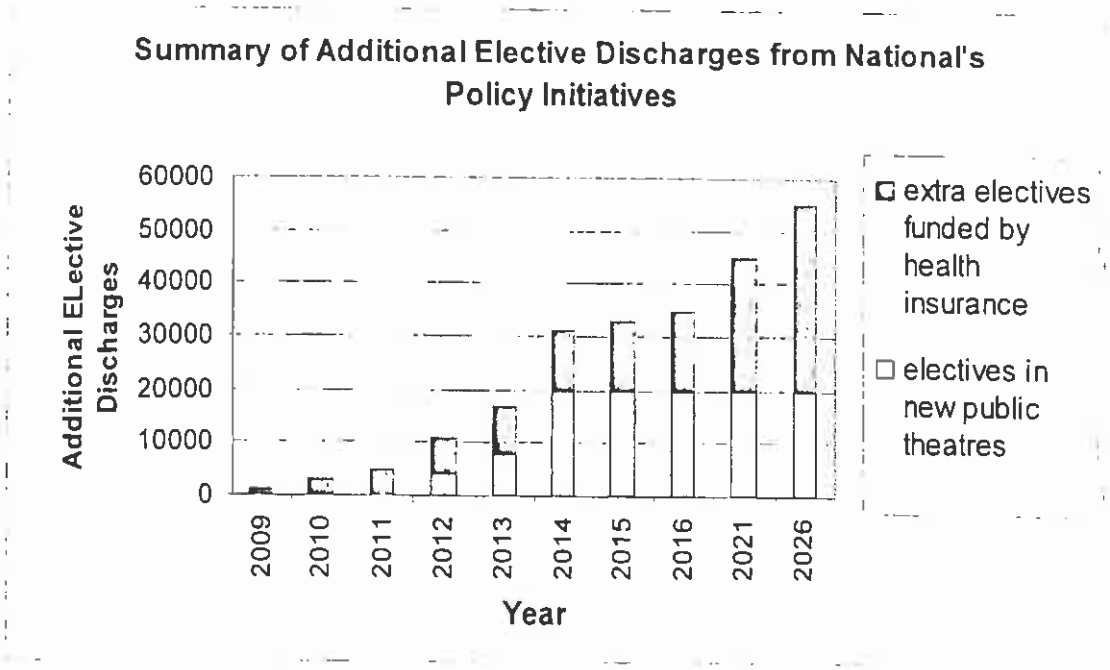
As a result, the number of patients receiving elective surgery paid for publicly but delivered in private hospitals has inched from less than 1.2% in 2006 to 4% in 2007. Most of this private hospital contracting has been on a very short term, ad hoc day-to-day basis, and as a result, is far from efficient in getting the most elective surgery possible for the resources spent.

Private hospitals and the public hospital management would benefit from more medium term certainty in their funding. This would help facilitate better contracting by DHBs, and assist private hospitals' decision making in relation to investing in staff and theatres than is provided by short term and changeable conditions.

Accordingly National will better enable DHBs to contract use of private hospital facilities where this is the best option, by providing a longer time frame in their DHB funding, more certainty in that funding, and clarity that there is no problem with contracting private utilisation, so long as it does not undermine public delivery

Finally, there are a wide variety of approaches to the current utilisation of private hospitals, with some more successful than others. Included in this variability are such options as DHBs simply hiring the private theatre facilities but using publicly salaried specialists and staff, while others hire the facilities and the staff - generally a more expensive option.

Recognising the complexities of New Zealand's health system which sees many specialists working in both the public and private systems, National will establish a "best practice" approach that will work in tandem with the opportunities provided from the greater certainty, medium time frame, and Government support for greater public/private hospital co-operation.



Waiting List Conclusions

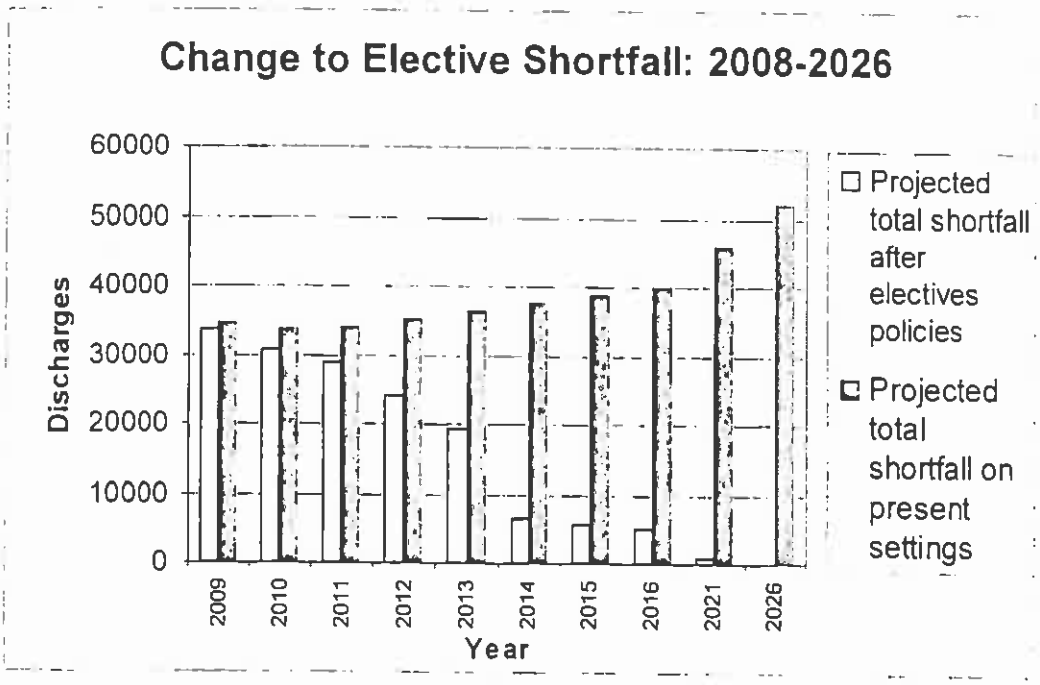
Elective waiting lists, even in a time when so many aspects of the health system are under severe pressure to meet public demand, are Labour's greatest health failure. Quite simply, from Labour's Opposition rhetoric in 1999 when lists totalled 70,000, they have simply culled around 30,000, and tightened access to the new "Booking System" with higher access thresholds so that it now only totals around 40,000. They have hidden the rest under GP care, and do not even bother to count them.

Elective surgery discharges have not even kept up with population growth, let alone population aging. National is determined to confront this challenge by investing significantly in the public system, and alongside that, by making better use of the largely ignored private system.

The results of this strategy, however, will take up to six years to really emerge, and that is particularly because of the huge workforce issue that New Zealand faces and the time frame to fully complete specialists' training and required experience.

National has realistically assessed the risks and challenges faced by this strategy, including the investment required and the time frame. It is accepted that there are a number of assumptions and best estimates in the forecasts. These include estimates of unmet demand, future output, and population trends, to name but some. Overall, we believe we have erred on the side of conservatism, but the end result is the best estimate on the information available today.

This is the right policy mix for New Zealand. National is convinced that it is important to front up to the looming crisis in elective surgery, and in this policy, confronts our huge challenge with elective surgery by putting in place a long term strategy to address it.



Where We Stand

HEALTH - Foundation Commitments

FOR CAUCUS APPROVAL

POLICY SUMMARY

Effective Healthcare, Sooner.

KEY MESSAGES

National wants the public health system to deliver better, sooner, more convenient healthcare for all New Zealanders.

We want reduced waiting times, less bureaucracy, and a more trusted and motivated health workforce.

National will meet these goals by focusing the health system on improved quality, timeliness, and convenience with our four foundation commitments:

1. Faster access to more elective surgery.
2. Keeping more health professionals here.
3. Focusing on front-line services.
4. Maintaining current budgeted spending projections.

OUR PRINCIPLES

- Effective healthcare, sooner.

OUR PLAN

1. Faster Access to More Surgery

- Build 20 new public hospital operating theatres over the next 5 years.
- Train an extra 750 health workers to staff these theatres, including surgeons, anaesthetists, nurses, and technicians.
- Provide a 30% rebate for health insurance for people over 65 to increase elective surgery in private hospitals.
- Encourage DHBs to reap the benefits of longer-term contracts with private hospitals and primary care for additional services.

2. Keeping More Health Professionals Here

- Grow the economy, and reduce taxes.
- Offer voluntary bonding through student loan debt write-off for hard-to-staff areas and specialties.
- Move to self-sufficiency in medical doctors.
- Ensure more health education is undertaken in rural and provincial areas.
- Re-engage health professionals in decision-making in the health system.

3. Focusing on the Frontline

- Cap Ministry of Health staff numbers.
- Cap DHB management and administration staff numbers.
- Enable greater regional collaboration between DHBs.
- Introduce star-rating of DHB performance to change culture, improve services, and reduce bureaucracy.

4. Not a Dollar Less than Labour

Maintain current budgeted spending projections.

Introduction

New Zealand is spending more on health but getting less for it. Despite spending an extra $6 million a year on Health, New Zealanders have to be sicker to get surgery. It's harder to see a hospital specialist. Emergency departments are gridlocked. Radiotherapy times are frequently excessive. Increasingly, people have to wait longer to even see their local GP.

Over the past nine years, Labour's obsession with control and structure has seen the unchecked spread of bureaucracy throughout the health system. In fact, under Helen Clark, more managers and administrators than doctors have been employed. The Ministry of Health has doubled in size. There's now a bureaucrat for every public hospital bed!

This can't go on. It's sucking resources that should be used elsewhere for patient care, and it's sucking the motivation and commitment out of the health workforce. Our health professionals too often feel that their commitment is taken for granted. The current health system is running on their goodwill, and that is rapidly evaporating.

At the same time serious staff shortages in many parts of the health system are affecting patient services. Despite countless official reports, Labour still denies there is a workforce crisis.

National wants the public health system to deliver better, sooner, more convenient health care for all New Zealanders. We want reduced waiting times, less bureaucracy and a more trusted and motivated health workforce.

The Challenges of the Future

A plan to meet New Zealanders' health needs in the future will be very different to what it was in, say, 1981:

- People are living longer
- New technology and medicines mean healthier lives and less time spent in hospitals
- Doctors, nurses, midwives and other health professionals are in hot demand internationally
- Hospital productivity is falling while costs are rising dramatically
- Chronic disease is becoming more prevalent
- People expect care sooner, and closer to home
- Health promotion is more important.

National's Plan

National's plan is to improve the overall health of all New Zealanders and the quality of care they receive from the health system.

Whether it is genetics, gender, education, environment, or income, many of the important influences on our health are often outside of what people might think of as "the health system".

By addressing these underlying determinants of health and wellbeing, we as a country can help improve the future health of New Zealanders.

The link between New Zealanders having better health and increased living standards is clear. By increasing prosperity and opportunities to prosper, a National led government will improve the health of New Zealanders.

National will focus the health system on improved quality, timeliness, and convenience.

National core commitments in health:

1. Reduce hospital waiting lists

Patients are waiting longer and longer for vitally needed health care. While they wait their conditions deteriorate. Or they may even be culled from the waiting list altogether.

National's plan to reduce waiting times and increase service involves:

- Building 20 additional public hospital operating theatres over next 5 years
- Training the additional 750 health workers needed to staff these theatres, including surgeons, anaesthetists, nurses and technicians
- Increasing elective surgery in private hospitals by providing a 30% rebate for health insurance for people over 65
- Greater funding certainty to DHBs to enable them to reap benefits of longer term contracts with private hospitals and primary care for additional elective surgery.

2. Focus on the frontline not bureaucracy

Too much of the health budget is being spent on bureaucracy and waste. Kiwi health professionals are frustrated by what they see as pointless paperwork and duplication by 21 DHBs and 82 PHOs. The Ministry of Health has become even more unresponsive, buried in a plethora of strategies, visions and consultants' reports.

National will:

- Cap Ministry of Health staffing levels
- Cap DHB management and administration staff
- Enable greater regional collaboration between DHBs
- Introduce star-rating of DHB performance to change culture and improve services and reduce bureaucracy

3. Keeping more health professionals here

The health workforce is in crisis with staffing shortages expected to grow. Patients end up waiting longer and having their appointments or surgery cancelled. New Zealand is the world second biggest importer *and* exporter of doctors. Record days lost to strikes shows health professionals are undervalued.

National will:

- Growing the economy, and lower taxes
- Offer voluntary bonding through student loan debt write-off for hard to staff areas and specialties
- Move to self-sufficiency in medical school enrolments
- Ensure more health education is undertaken in rural and provincial areas
- Re-engage health professionals in decision-making in the health system

4. Maintain current 3-year health budget

National will maintain the Government's three-year health spending track as detailed in the 2008 Budget documents, but invest it more wisely.

New Zealanders expect accountability for how their health dollars are spent, and want that money delivering frontline health services. District health board chairs and chief executives will be held directly accountable for the performance of their organisations in meeting timeliness and quality expectations.

Preventive Health

Our health is affected by everything about us, and everything around us.

Whether it is genetics, gender, education, environment, or income, the most important influences on our health are often outside of what we might think of as "the health system".

By addressing these underlying determinants of health and wellbeing, we as a country can help improve the future health of individuals, families, the community and future generations.

The link between New Zealanders having better individual and community health and increased living standards is clear. By increasing prosperity and opportunities to prosper, a National led government will improve the health of New Zealanders. Labour has squandered the opportunity of good economic times, failing make a lasting, positive impact on the wider determinants of health. As a result many New Zealanders are suffering needlessly.

National will:

- pursue moderate and pragmatic economic policies to lift New Zealand's prospects, encourage independence, improve home affordability, and expand educational opportunity.

- Ensure that in helping improve people's health and wellbeing, a "whole of government approach" works best.

- Recognise the importance of health promotion and disease prevention, and will work to support health professionals in these areas.

Chronic diseases account for more than 80% of all deaths in New Zealand, and according to the National Health Committee, 70% of public sector health funds are spent on chronic disease. Chronic diseases include cancer, asthma, arthritis, diabetes, chronic neck or back problems, depression, and cardiovascular disease[1].

Many common risk factors such as an unhealthy diet, physical inactivity, stress, poverty, smoking and alcohol/drug misuse can result in preventable chronic diseases.

Right now, New Zealand has a piece-meal approach to the prevention and management of chronic diseases. There are varying approaches (and levels of success) across DHBs, across and within PHOs, and even within general practices. There's a lack of integration within primary care and between the primary and secondary sectors.

National will:

- Work with the health sector to develop a new national framework for the management of chronic disease.

Preventing cancers, obesity, smoking and alcohol/drug abuse would significantly improve the health and quality of life for tens of thousands of New Zealanders. But that prevention requires individuals and their families to have the opportunity to make changes to their lifestyles.

Under National, the government won't control individual lifestyles, but will inform, enable and encourage people to be successful in achieving positive healthy choices.

Schools are the ideal environment to tackle this issue. However, the National Children's Nutrition Survey found 1 in 5 children aged 5-10 reported no physical education class. Other research has found physical space can be a limiting factor for activity in primary schools (eg: lack of covered space in winter) as can a lack of equipment[2]. National wants

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[1] National Health Committee, People with Chronic Conditions: a discussion paper (NHC 2005)

[2] The obesogenic environment in New Zealand Primary schools" Carter, M. Thesis, University of Auckland, 2000

more of the HEHA investment in schools. Further announcements will be made in due course as part of the Education and Sports policies.

National will:

- work with schools, sports clubs, businesses and community groups to ensure that more kids from deprived backgrounds get to play sport.
- promote school-based physical activity, including piloting physical activity co-ordinators in primary schools.

Primary Health Care

Primary care offers the best way to deliver timely healthcare closer to home for New Zealanders. International research demonstrates that those health system with strong and vibrant primary-care services have much better health outcomes than those that focus on specialist or tertiary care.

A strong primary care system should contribute to better management of chronic diseases, greater continuity of care, improved accessibility and earlier intervention.

Labour's Primary Health Care Strategy is failing to deliver. Even the failed former Health Minister admitted there was slow and patchy development of both multi-disciplinary teams and a wider range of services provided in primary care settings.

National wants New Zealanders to have access to a wider range of services and health professionals, closer to home.

National will:

- Encourage the development of Integrated Family Health Centres; co-located multi-disciplinary teams providing a fuller range of health services

- Provide faster access to tests and treatment by delegating funding to primary care to deliver more specialist care in the community, direct referral to diagnostic tests, and minor surgery by specially trained GPs.

- Work with primary care to establish a nation-wide after-hours telephone triage service linking in with local GP rosters.

- Maintain the current universal GP subsidy system, including the fees review process.

- Maintain the current universal prescription subsidy system.

Mental Health

Mental Health is a major health issue in New Zealand, affecting 1 in 3 New Zealanders over the course of their lifetime. Incidence of mental illness is showing little change despite a 66% increase in Government spending on mental health since 1999, with nearly $ 1 billion now being spent each year in the sector.

Mental health under Labour has been characterised by an endless stream of policy documents and strategies, with little measurable impact on outcomes.

National will work to improve mental health services for New Zealanders by cutting back on meaningless bureaucracy, placing an emphasis on producing measurable outcomes, and directing resources to where they are most needed

Mental health care is now largely devolved to the community. While this works well for many, it has left a group of chronically unwell patients without access to the services that they ideally require. Many families feel that they are left to shoulder the burden of care.

Access to services remains an issue for some people, including children, young people, the elderly, Maori and Pacific Island peoples. Devolution of services means that service provision and access can vary between DHBs.

With increasing demands on our mental health services, National recognises effective primary care services as essential to meeting the mental health needs of New Zealanders. However, many New Zealand GPs do not feel confident in their ability to deal with mental health issues.

National will

- Improve access to specialist services for underserviced patients by cutting wasteful bureaucracy and directing resources to areas of need
- Resource Primary Care with the support required to deliver effective community based mental health options
- Ensure that the perspectives of families are heard by the Mental Health Commission

There is a lack of consistency in terms of access to mental health services across the country and there is little meaningful reporting of outcomes. Furthermore, DHBs are not able to say what they are getting for the $300 million spent with NGOs- there is no way of differentiating those providing excellent services from those that are not performing. At the same time, measuring quality of comparable services between DHBs is difficult.

National will:

- Work with DHBs, PHOs and NGOs to develop frameworks for the measurement of outcomes in mental health

- Insist that resources are prioritised to those NGOs which are delivering high levels of outcomes and high quality services
- Lead a drive for quality that develops transparency and consistency of service provision across the country

Rural Health

Many people in rural and provincial areas cannot register with a GP. Finding a doctor after hours and getting a midwife are both proving harder and harder. Our hospitals are struggling to recruit and maintain their specialist staff.

Research by the Rural GP Network suggests rural after-hours on-call work is a significant barrier to the recruitment and retention of young doctors and nurses. The research noted that, overall, the work was stressful, sleep depriving, poorly paid, and impacted negatively on doctors and their families.

In some provincial areas, GPs and hospitals may be able to work together as they do at Blenheim's Wairau Hospital, which assesses its after-hours emergency department patients between an on-site GP clinic or the hospital's emergency department.

National will:

- Expand the rural immersion component of medical training, which research shows improves the likelihood of students returning to work in those communities.

- Relieve the pressure on rural after-hours rosters through a new after-hours telephone advice service linked with local GP rosters.

- Make health facilities a priority area in National's plan to invest heavily in the roll out of high-speed broadband.

- Improve access to services for rural people by supporting tele-medicine and other technology based innovations.

Pharmaceuticals

The New Zealand public health system lags behind many countries in the provision of medicines. New Zealand is spending less and less per head of population on pharmaceuticals. Doing more with less was easier when PHARMAC started out. But the law of diminishing returns is being seen in the increasing unease about the limited range of publicly funded medicines in New Zealand compared to elsewhere.

For example, access to funded, highly specialised new medicines in New Zealand is only a quarter of that in Australia. Highly specialised medicines often benefit comparatively few. They provide individual patients great,

often life-changing benefit. But the number of patients is not large. Nor is the cost low. This makes it difficult for these medicines to become publicly funded when measured against drugs that will benefit many more people.

About 6% of New Zealand's public health expenditure in invested in medicines compared to an average of 18% in the OECD. Per head of population public funding of pharmaceuticals in NZ is X compared to Y in Australia.

The registration of a new medicine takes at least two years in New Zealand. This is far higher than the 11-12 months in Australia, 15 months in the United States and 9-10 months in Britain.

National wants to work with consumer groups and the pharmaceutical industry to achiever broader access to medicines for New Zealanders.

National will:

- Increase funding, over time, for pharmaceuticals towards per head of population funding levels to those in Australia, with an initial boost of $20m.

- Progressively establish a high cost, highly specialised medicines fund with the criteria around such a fund to be established by clinicians and patient groups, establishing priorities and eligibility criteria.

- Fund 12-month access to Herceptin, recognising the overwhelming international consensus of cancer specialists on the effectiveness of a twelve-month treatment programme for women with Her-2 positive breast cancer.

Cancer

Cancer is the biggest cause of death in New Zealand; accounting for almost one in three deaths. New Zealanders die from cancer at a significantly greater rate than Australians or others from the OECD.

The incidence of cancer here is also significantly more than Australia. According to the NZHIS, the most common cancer is colorectal and anus, followed closely by prostate cancer.

The leading cause of death by cancer for men is lung cancer, and for women breast cancer. Overall, lung cancer is the greatest killer followed by colorectal cancer.

Cancer specialists cite more restrictive access to modern medicines and implanted radiotherapy than in Australia and other countries as a reason for New Zealand's worse mortality rates.

Since the New Zealand cancer Control Strategy (NZCCS) was launched in a blaze of publicity in 2003, many cancer specialists observe that it has subsequently achieve little for those diagnosed with cancer or those with additional risks of developing the disease.

Despite a huge amount of time and effort being expended on "stakeholder" meetings, the NZCCS has been unable to convert good intentions into policy that will lift cancer services in New Zealand to a level more appropriate for a first-world country.

National will:

- Revitalise the Cancer Control Council will new terms of reference to address a number of high-priority issues within an early timeframe.

These will include:

- regional and central funding for high cost imaging and radiation equipment
- scientific, socially equitable system for assessing the value of new cancer drugs as they become available
- reducing treatment delays for cancer patients
- updating cancer screening programmes
- cancer research funding priorities
- workforce shortages

National will also:

- Establish a Prostate Cancer Testing Programme for men over 50 with a close family history of prostate cancer.

- Fund 12-month access to Herceptin, recognising the overwhelming international consensus of cancer specialists on the effectiveness of a twelve-month treatment programme for women with Her-2 positive breast cancer.

Maternity

New Zealand women should be confident that they and their babies will be safe during pregnancy, with quality maternity care. New Zealand's maternity services are struggling under the pressure of significant midwifery shortages, particularly in hospitals. A fifth of New Zealand mothers in the recent Maternity Services Consumer Satisfaction Survey reported they had found it hard to obtain a midwife.

Under Labour, women have been offered grocery vouchers to leave hospital within six hours of giving birth! The proportion of women discharged from the hospital or maternity unit with 12 hours has grown from 8% in 2002 to 14% in 2008.

Many women would like more "shared care" between their midwife and GP during pregnancy, bringing the professionals separate and complementary skills together.

Many women also tell us they would like more support once home after giving birth. According to the Maternity Services Consumer Satisfaction Survey 68% of women are getting fewer than their entitled number of post-natal midwifery visits. Those who received fewer than five visits (27%) were less likely to be very satisfied with their care.

National will:

- Ensure the development and retention of a sufficient workforce of highly skilled midwives, and will investigate bonding options to recruit more midwives.
- Promote greater co-operation between midwives, GPs and obstetricians including "shared care" options.
- Work with District Health Boards to provide greater choice in birthing units
- Increase post-natal funding over time to offer women longer stays in maternity units to support confidence and breast-feeding.
- Expand the number of post-natal Plunket/Well Child visits to more closely meet the needs of individual families.

Oral Health

Despite more than a dozen official reports and countless DHB strategy plans, progress in addressing New Zealand's worsening oral health is extremely slow.

All the while, the rate of dental decay in under-18 year olds continues to worsen. Only a half of adolescents are accessing dental care, well below Labour's target of 85% access. School dental services are also suffering from workforce shortages, despite a minimal rise in the number of dental therapists and an increasing reliance on overseas-trained dentists.

New Zealanders aged over 85 years old increasingly have more of their own teeth instead of dentures. The frail elderly in rest home care are reliant on carers to assist with their oral hygiene and identify when treatment is needed. The cost of access to dental care is an issue for superannuitants on limited incomes.

National will:

- Develop a Dental Assistance Programme for over 65s, with an annual entitlement to be used at the dentist of choice.

- Accelerate renewal of the school dental service already budgeted, with a stronger focus on regional collaboration by DHBs and improving access for rural communities.

Aged Care

As our population ages, a growing number of older people will require more care. This will put greater pressure on care providers and increase demand on health funding.

In the 2006 census, there were 495,600 New Zealanders over 65 years of age - around 12% of the population. By 2031, the number of people living in New Zealand over 65 is projected to increase to about 1.08 million, or 22% of the population. The greatest population increase is projected for those who are 85 years or older.

Society and government must plan for the care and support that our ageing population will require.

Those caring for the aged need support and, often, respite. There is a nationwide shortage of dedicated respite beds making it difficult for carers to get even a short break. This puts the carer's health at risk.

Rest home care auditing needs to be reviewed in order to provide confidence to the aged and their families that services are of an acceptable quality. Incentives are needed to encourage rest home providers to improve quality in terms of staff and services.

National will:

- Support families caring for aged family members with more dedicated respite beds
- Review the auditing and monitoring of rest homes including the introduction of spot auditing and public disclosure of audit and compliance reports
- Work with providers and consumer groups to develop plans to meet future demand for aged care services and facilities, including multi-year funding
- Improve the co-ordination of care for older people through regional clinical networks across primary care and hospitals
- Investigate a "support-at-home payment" to simplify and improve choice in home-based support services
- Work with the sector to develop and aged care ITO

Palliative Care

Palliative and end-of-life care provides the combination of services supporting an individual as they near the end of their lives. In many communities, community hospices provide significant palliative care predominantly in individuals' homes but also within in-patient facilities.

Services include: Community Palliative care, Inpatient Care, Volunteer Support Network, Day Care Facility, Family support, Bereavement Counselling, Social Work and Chaplaincy.

Currently community hospices are on average 52% publicly funded, with some more and others less well-funded. Reliance on fundraising is significant.

National will:

- Enable community Hospices to expand services through an additional investment of $15m

HEALTH INSURANCE REBATE INITIATIVE

- Of the 33% of NZers that have Private Health Insurance, 50% of those aged 55 are covered but this drops to 24% after 65. Claims cost of those over 65 are five times that of those under 65

- A $500 rebate for those aged 65+ would lift coverage by 30% ie. 40,000 people. This was the case in Australia, with similar subsidies lifting coverage 27%. *A 10 year qualifying period or a set close-off date for those aged 55-64 could increase members by an additional 40,000 and reduce deadweight costs.*

- A $500 p.a. subsidy for those aged 65 and over equates to $40m p.a, rising to $52m p.a. in 10 years. Assumes an average rebate of $400 with 80% uptake. With an additional 40,000 older NZers covered an additional 13,000 elective surgeries per year using existing claims incidence ratios. This equates to $3,100 cost to taxpayers per elective vs. $6,000 for the 2006-7 elective initiative ($30m for @5,000 achieved electives) and much more than that for the 2007-8 initiative ($59m for not much improvement due to theatre shortages).

Commentary

- Improving the ability for those aged 65+ to retain their health insurance cover offers a major opportunity to contribute to New Zealand's growing elective surgery need potential elective surgery initiatives.

Effectiveness in addressing elective surgery need

- The private sector currently funds 60% of elective surgery in New Zealand – about 145,000 discharges a year. For those aged 65+, the claim incidence is approximately a third, with the vast bulk of claims relating to elective surgery. An additional 40,000 covered equates to 13,000 surgical discharges per year for those aged 65+. Applying claim incidence ratios for the 55-64 age group suggests the additional uptake of 40,000 in that group will equate to around 8,000 elective discharges per year.

Distortionary impacts

- One criticism of rebate policies generally is that they are distortionary. Ie – they move away from the pattern of goods and services people would otherwise purchase. However, this is precisely the point of rebates. They encourage a higher level of consumption of meritous goods which society benefits from. Whether it is health insurance or charitable donations – there is a net benefit to society as a whole. In the case of health insurance, it is the additional level of surgery which will be insurance funded. The benefits are both direct health benefits to those covered, and a freeing up of public resources to address surgical need for all those who are not covered.

Deadweight costs

- A criticism of rebates for health insurance is that those who already have health insurance will benefit in addition to the additional people who take it out. This is called the deadweight cost.The nature of health insurance means that a rebate for those aged over 65 would mainly work to improve retention rates, rather than stimulating new policyholders after age 65.

- On the face of it this means deadweight costs reduce to 70%, although there are means of reducing it further, by stimulating coverage outside the 65+ age group.

Opportunity costs

- Some public sector advocates say $40 million will be better spent in the public system addressing electives. That is all well and good, but the reality is the public system simply does not have the capacity to deliver additional elective surgery. The recent $59 million elective surgery initiative has

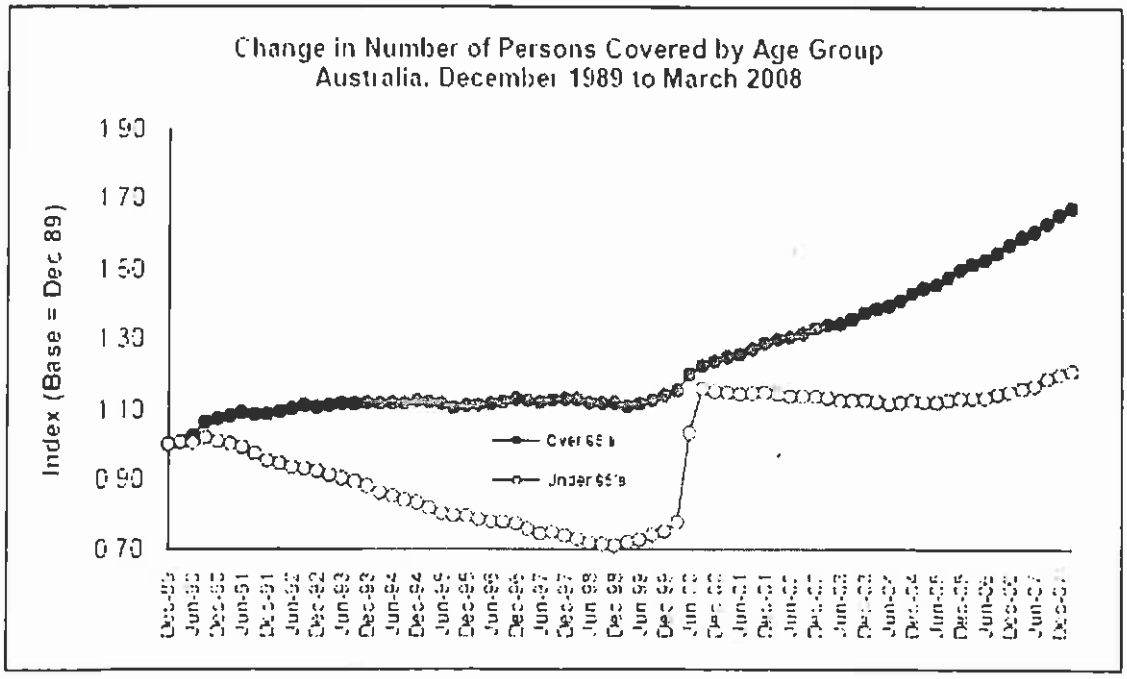
struggled to increas elective volumes. Theatre capacity is a primary reason, and changing this is likely to be a lengthy process. Moreover, the changing demographics mean the additional volumes of elective surgery can only be met by a combination of additional private and public volumes. It is not a choice of one over the other.

Australian evidence

- There are a range of views on the relative impacts of several policy changes in Australia in the late 1990s. It is clear that the 30% rebate played a significant role in lifting uptake. This is concluded in both the Harper study[1] and the OECD assessment of the policy changes.The Australian Government increased the amount of rebate for those aged over 65 in 2004, with a resulting further increase in numbers covered. The following table tracks the percentage annual change in numbers covered by age group since 2000.

Table: Percentage change in numbers covered by health insurance in Australia by age group: 2001-2006

Year	2001	2002	2003	2004	2005	2006	total 00-06
Age under 50	-1.24%	-1.95%	-1.92%	-1.08%	-0.01%	1.50%	-4.64%
age 50-64 percent increase	2.91%	2.46%	2.22%	2.31%	2.60%	2.74%	16.24%
age 65+ percent increase	4.29%	3.20%	3.40%	4.08%	4.83%	4.75%	27.18%



Source: Australian Health Insurance Association

[1] See Professor Harper, Harper Associates: Preserving Choice: A Defence of Public Support for Private Health Care Funding in Australia, April 2003.

Where We Stand

HEALTH - Sector Commitments

FOR CAUCUS APPROVAL

POLICY SUMMARY

Effective Healthcare, sooner.

KEY MESSAGES

National wants the public health system to deliver better, sooner, more convenient healthcare for all New Zealanders.

We will help achieve this by making improvements in the sectors below.

OUR PRINCIPLES

- Effective healthcare, sooner.

OUR PLAN

1. Primary Health

- Encourage the development of Integrated Family Health Centres – co-located multi-disciplinary teams providing a fuller range of health services and family health teams.
- Provide faster access to tests and treatment by delegating funding to primary care to deliver more specialist care in the community, direct referral to diagnostic tests, and minor surgery by specially-trained GPs.
- Work with primary care to establish a nation-wide after-hours telephone triage service linking in with local GP rosters.
- Maintain the current universal GP subsidy system, including the fees review process.
- Maintain the current universal prescription subsidy system.
- Review nationwide inconsistency in charging for privately-referred lab tests.

2. Cancer Care

- Revitalise the Cancer Control Council with new terms of reference to address a number of high-priority issues within an early timeframe: equipment, drugs, treatment, research, workforce.
- Establish a Prostate Cancer Testing Programme for men over 50 with a known family history of prostate cancer.
- Fund 12-month access to Herceptin

3. Mental Health

- Improve access to specialist services for underserviced patients by cutting wasteful bureaucracy and directing resources to areas of need.
- Resource Primary Care with the support required to deliver effective community-based mental health options.
- Ensure that the perspectives of families are heard by the Mental Health Commission.
- Work with DHBs, PHOs, and NGOs to develop frameworks for the measurement of outcomes in mental health.
- Insist that resources are prioritised to those NGOs that are delivering high levels of outcomes and high quality services.

4. Rural Health

- Expand the rural immersion component of medical training, which research shows improves the likelihood of students returning to work in those communities.
- Relieve the pressure on rural after-hours rosters through a new after-hours telephone triage service linking in with local GP rosters.
- Make health facilities a priority area in National's plan to invest heavily in the roll-out of high-speed broadband.
- Improve access to services for rural people by supporting tele-medicine and other technology-based innovations.

5. Pharmaceuticals

- Increase funding, over time, for pharmaceuticals towards per head of population funding levels to those in Australia, with an initial boost of $**m.
- Progressively establish a high cost, highly specialised medicines fund with the criteria around such a fund to be established by clinicians and patient groups, establishing priorities and eligibility criteria.
- Fund 12-month access to Herceptin, recognising the overwhelming international consensus of cancer specialists on the effectiveness of a twelve-month treatment programme for women with Her-2 positive breast cancer.

6. Maternity/Child

- Ensure the development and retention of a sufficient workforce of highly-skilled midwives, and investigate bonding options to recruit more midwives.
- Promote greater co-operation between midwives, GPs, and obstetricians including "shared care" options.
- Work with District Health Boards to provide greater choice in birthing units.
- Increase post-natal funding over time to offer women longer stays in maternity units to support confidence and breast-feeding.
- Expand the number of post-natal Plunket/Well Child visits to more flexibly meet the needs of individual families.
- Fund Plunketline.

7. Oral Health

- Develop a dental assistance programme for over 65s, with an entitlement of $100 a year.
- Accelerate improvements in child and adolescent dental service renewal.

8. Aged Care

- Support families caring for aged family members with more dedicated respite beds.
- Quality improvement incentives for rest home supervision and nursing.
- Review auditing and spot-auditing procedures and introduce star-rating for rest homes.
- Work with providers and consumer groups to develop plans to meet future demand for aged care services and facilities, including multi-year funding.
- Inflation proofing aged care residential subsidies.
- Establish an Aged-Care Industry Training Organisation.

9. Palliative Care

- Enable Hospices to expand services through an additional investment of $15m, ensuring equity of funding across DHBs.