

16 February 2015

Mr Ian Powell
Executive Director
Association of Salaried Medical Specialists
P O Box 10763
WELLINGTON

Email: ip@asms.org.nz

Dear Ian

This letter is written in response to the letters to the Chief Executive Wairarapa / Hutt Valley DHBs and Interim Chief Executive Capital & Coast DHB.

Thank you for your letter dated 14 January 2015 where you have requested under the Official Information Act the information below:

The 3DHB publication Integrated Laboratory Services Proposal and Consultation Document, in the 'Introduction' (p4):

The Strategy acknowledges that the cost of laboratory services continues to increase at an unsustainable rate in many areas. It also suggests that integration between community and hospital laboratories may provide better value for money.

In September 2013, the Boards of the 3 DHBs endorsed the Strategy and agreed that the future configuration of community-referred laboratory services should seek to deliver on the following outcomes: Assisting the three DHBs to live within their financial means and deliver good value for money, with final proposals seeking to achieve 8% savings across laboratory services in the three DHBs.

Please would you provide the following as per the requirements of the Official Information Act:

- 1. Total costs for hospital laboratories and hospital laboratory service outputs for the three DHBs for the most recent five years;*
- 2. Documents providing evidence that integration between community and hospital laboratories 'may provide better value for money';*
- 3. Documents providing a clear explanation as to how the '8% savings' figure was arrived at, what it is based on and the timeframe in which these savings are expected to be made.*

Please find below the responses to the information you have requested:

- 1. Total costs for hospital laboratories and hospital laboratory service outputs for the three DHBs for the most recent five years.*

The table below shows total expenditure and cost increases to the DHB by provider over the past five years. For the two private providers, contract values are shown by year and actual costs incurred are shown for hospital laboratories.

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Wairarapa DHB	\$3,257,000	\$3,338,000	\$3,422,000	\$3,507,000	\$3,559,254
Wellington Hospital (costs net of revenue)	\$13,188,995	\$14,210,310	\$14,422,523	\$15,646,477	\$17,118,559
Hutt Hospital	\$5,135,000	\$5,699,000	\$5,632,000	\$5,963,000	\$6,030,000

***Note:** Includes community as well as hospital.

2. *Documents providing evidence that integration between community and hospital laboratories 'may provide better value for money'.*

There are two local documents that provide statements of how value-for- money is one of the key principles that must be attained by integrating the community and hospital laboratories, which you have already referenced.

Consultation Document

- Page 4, under the Section 1.1, third paragraph, 7th bullet point: "...live within their means and deliver good value for money..."
- Page 10, top of the page: "...and deliver good value for money with..."
- Page 21 reiterates the guiding outcomes from the strategy: "...should seek to achieve improved health outcomes for our populations, provide equitable access to testing and deliver good value for money."

Strategy Document

- Page 16, under "Context of Change Implementation", fourth bullet point. This signals how value for money is an important outcome required from the Procurement Guidance for Public Entities.

The Milne/Mueller "Auckland Region Laboratory Review 2010" indicated that savings would be achieved over the life of the contract which was one of the major objectives for the transition in Auckland.

Other documents that support the statement are unable to be released at this time due to the fact that the procurement process is not yet completed. This information is withheld in accordance with Section 9(2)(b)(ii), 9(2)(i) and 9(2)(j) of the Official Information Act.

3. *Documents providing a clear explanation as to how the '8% savings' figure was arrived at, what it is based on and the timeframe in which these savings are expected to be made.*

The 8% figure was a guide from one of the Boards on their expectations from the integration and procurement process. The information relating to what the savings might be, what they are based on and the timeframe in which these savings are expected to be made are withheld at this time as the procurement process is not yet completed. The information is withheld in accordance with Section 9(2)(b)(ii), 9(2)(i) and 9(2)(j) of the Official Information Act.

You have the right to seek a review, under section 28(3) of the Official Information Act by way of a complaint to the Ombudsman.

Yours sincerely



Sandra Williams

ACTING DIRECTOR, SERVICE INTEGRATION & DEVELOPMENT UNIT