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Capitation increase 4% – Govt leaves patients to pick up additional costs



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Practices are being told they can boost patient fees by nearly 8 per cent to compensate for capitation funding falling far short of the 5.88 per cent cost pressure [Image: Fraser Williamson]

But the agency says that as many VLCA practices are “struggling financially” it was open to considering VLCA practices increasing patient fees for non-CSC patients.

The bulk of capitation funding is increasing by just 4 per cent – not the signalled 5.88 per cent – with many practices being told to offset cost blowouts by boosting patient fees instead.

The proposed annual increase to the PHO Services Agreement has been released to the sector by Te Whatu Ora for consultation following a tense meeting with the sector yesterday. (Feedback from the sector will follow in later article).

The document confirms that the cost pressure calculation used to guide the Annual Statement of Reasonable Fees Increase (ASRFI) came out at 5.88 per cent, which was the figure **health minister Shane Reti said was the Government's "ambition" for the capitation increase** "to get close to".

But budget-pinched Te Whatu Ora is only offering to increase first level services capitation funding, which makes up about 80 per cent of capitation funding, by 4 per cent (a \$44.5 million increase).

Practices are instead told they can make up for the cost pressure underfunding by increasing patient fees by up to 7.76 per cent which, when combined,

would result in a 5.88 per cent increase in revenue, the document says.

New Zealand Doctor Rata Aotearoa has reported that Te Whatu Ora **suggested to Dr Reti in January that there was an annual capitation shortfall of \$173 million or 14 per cent in 2024.**

Te Whatu Ora is offering the equivalent of 5.88 per cent increases to the Community Services Card, VLCA (Very Low Cost Access), and Zero Fees for Under-14 funding streams, which make up roughly 20 per cent of capitation funding (a combined increase of \$34.5 million).

This is in return for not increasing the current CSC patient fee of \$19.50.

But the agency says that because many VLCA practices are “struggling financially”, it is open to considering VLCA practices increasing patient fees for non-CSC patients.

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No increase for PHOs

The offer includes a zero-funding increase for a range of PHO-administered funding, including Services to Improve Access, Health Promotion, Care Plus, PHO management fees and System Level Measures incentive funding.

The rural funding stream also only gets a 4 per cent increase (\$300,000) but the agency is proposing a 5.88 per cent increase to childhood immunisation rates (\$2.6 million).

Last year's nursing pay parity payments (about \$31 million) and equity adjustor funding (\$22 million) – both of which were delivered outside the PHO Services Agreement – are to be extended and were not part of the ASRFI calculations, the document says.

The agency's combined funding increase for the PHO Services Agreement for 1 July 2024, based on estimated volume increases, is \$81.9 million.

In a letter to the sector last year Te Whatu Ora indicated that **the 5 per cent capitation increase in 2023 was the equivalent to more than \$63.5 million in new funding** to general practices.

Fee rise and after-hours signals

Te Whatu Ora, in acknowledgement of the sector's "financial and workforce pressures" is also raising "opportunities" to look at changes to make fee rises more flexible, the document says.

That included looking at a higher threshold for fee increases before practices have to apply to the Fees Review Committee, to "reduce the bureaucracy related to fees increases".

The document also noted that "general practice workforce constraints are making it difficult to meet urgent and after-hours care obligations" under the PHO Services Agreement.

“Te Whatu Ora is open to considering the development of a protocol under which we would collaborate to address after-hours issues locally,” the document says.

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