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Capitation-inflation debate: When more money is not the answer



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Wednesday

3 August

2022, 10:14

AM

3 minutes

to Read



Rawiri Jansen, interim clinical lead primary care for Te Aka Whai Ora – Maori Health Authority, told conference-goers capitation has kept up with inflation [Image: NZD]

Debate about capitation funding and inflation has been revived, and the issues are not simple. **Fiona Cassie** reports from the recent RNZCGP conference

Capitation increases have kept up with inflation and “cranking up” capitation funding is not the solution to health inequities, specialist GP and Māori health leader Rawiri McKree Jansen says.

For the past 10 years, increases to capitation have been better than those of the Consumer Price Index, Dr Jansen told delegates at the recent GP22: Conference for General Practice.

An Auckland specialist GP and the interim clinical lead primary care for Te Aka Whai Ora – Māori Health Authority, he tells *New Zealand Doctor Rata Aotearoa* he is not against more funding for primary care. But he says there is no evidence that a capitation increase alone will deliver better Māori health outcomes. “If you had an extra \$100 million, do you just tip it into the current [primary care funding] system? I think the answer would have to be no.”

GP funding negotiators assert that general practices face cost pressures not reflected in the CPI and other indicators, leaving the sector significantly underfunded.

New Zealand Doctor took a deep dive into Stats NZ data to compare the CPI and the two main indexes (see table) used in Sapere Research's cost-pressure formula – the basis of general practice funding decisions. We then looked at annual capitation increases and allowable “reasonable fee increases” between 2009 and 2021.

In a number of the early years, the annual capitation increase fell below the annual CPI. Over the past five years and back to 10 years, the cumulative capitation increase has balanced out at slightly higher than the equivalent CPI increase, we found. But, over the same time periods, the total capitation increase was lower than both the health labour cost index and Sapere's annual cost-pressure figures for the general practice sector.

Specialist GP Angus Chambers, a Contracted Provider Caucus lead negotiator in the PHO Services Agreement Amendment Protocol (PSAAP) negotiation process, says most GPs would disagree with the notion that capitation had kept pace with cost pressures.

Dr Chambers points to the accumulated capitation increase being “reasonably significantly behind” the Sapere cost pressure figure and the Labour Cost Index over the past 10 years.

He also says cumulative funding increases do not reflect the compounding effect of earlier underfunding.

At the conference, PSAAP lead negotiator and specialist GP Mark Peterson also took issue with Dr Jansen’s interpretation of capitation increases.

General Practice Owners Association chief executive Philip Grant says none of the reasonable fee increases, nor the CPI nor other indices, are anywhere near being an accurate calculation of the actual cost pressures experienced by general practice. All PSAAP members, including DHBs and the Ministry of Health, last year agreed there are “opportunities” to improve some of the methodology’s “limitations”, Mr Grant says via email.

Simon Royal, former National Hauora Coalition chief executive and member of the Government’s capitation technical review group, says “the reality is the [cost] increases in the sector are rising at a far faster rate than the CPI indicates”.

Mr Royal says he has long been concerned by the failure of funding to address Māori health inequity. The Waitangi Tribunal's 2018 primary healthcare inquiry (Wai 2575), in which he was a claimant, resulted in the tribunal calling for an assessment of underfunding of Māori PHOs and health providers. This, in turn, helped initiate the capitation review. The review report is under wraps.

Dr Jansen, the coalition's clinical director, and Mr Royal both say the current capitation formula is not the appropriate formula to get Māori health equity.

Dr Jansen poses the question: "Is it the position of mainstream primary-care providers that, if they just got paid more, then they would [improve Māori health outcomes]?"

Inflation versus capitation

10-year table of inflation indexes compared with capitation and fee increases

* In 2020/21 the Sapere cost pressure formula weightings for Labour Cost Index (LCI) – Health Care and Social Assistance changed from 70% to 80% and it reduced weightings for other price indexes used in the formula, including the Producer's Price Index-Inputs (PPI-I) Health Care and Social Assistance which went from 20% to 15%

** The CPI, LCI and PPI-I index figures are all as at 31 December of that year (compared to previous 31 December)

SOURCES: Stats NZ and Sapere's Annual statement of reasonable GP fee increases – 2021/22 update

Funding year 1 July–30 June	Consumer Price Index**	PPI-I Health*	LCI Health*	Cost pressure formula findings*	GP Fee Increase	Capitation increase
2013/2014	2012: 0.9%	2012: 1.46%	2012: 1.62%	1.5%	2.01%	1.49%
2014/2015	2013: 1.6%	2013: -0.38%	2013: 1.69%	1.18%	1.37%	1%
2015/2016	2014: 0.8%	2014: 1.06%	2014: 0.92%	1.1%	1.4%	1%
2016/2017	2015: 0.1%	2015: 0.57%	2015: 1.28%	1.12%	1.25%	0.8%
2017/2018	2016: 1.3%	2016: 1.14%	2016: 1.63%	1.57%	1.32%	1.0%
2018/2019	2017: 1.6%	2017: 2.53%	2017: 3.57%	2.38%	2.38%	1.82%
2019/2020	2018: 1.9%	2018: 2.47%	2018: 2.75%	2.91%	2.91%	2.38%
2020/2021	2019: 1.9%	2019: 1.52%	2019: 4.19%	3.51%	3.51%	3.51%
2021/2022	2020: 1.4%	2020: 1.9%	2020: 1.69%	2.78%	2.78%	2.78%
2022/2023	2021: 5.9%	2021: 3.8%	2021: 2.92%	2.38%	2.38%	3%
Cumulative 5 year total 2017–2021	12.7%	12.22%	15.12%	13.96%	13.96%	13.49%
Cumulative 10 year total 2012–2021	17.4%	16.07%	22.26%	20.43%	21.13%	18.78%

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