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Health minister grilled on Budget in tense select committee hearing



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Health minister Shane Reti was subject to some tough questions during today's health select committee hearing looking at Vote Health funding in Budget 2024 [Image: Hagen Hopkins]

“You hinted at substantially better funding for primary care in the election campaign, and it looks like the reality is going to be strikingly different from that. How do you think the primary care sector would feel about that?”

Barbs were traded in a heated health select committee hearing today to discuss Budget 2024.

Health minister Shane Reti attended the question-and-answer session with Te Whatu Ora chief executive Margie Apa and director-general of health Diana Sarfati.

The hearing was to examine the funding estimates for Vote Health in Budget 2024. However, the committee did not discuss primary health until the end of the 90-minute hearing.

Labour Party health spokesperson Ayesha Verrall, a health select committee member, asked the minister to respond to recent analysis from the CTU that found that the total operating expenditure for health in Budget 2024 fell by \$775 million when adjusted for inflation.

“That’s a 3 per cent cut or a 4.5 per cent cut per head of population. So, minister, don’t you agree that funding for the health system is going backwards under your government?”

“And what you’ve just described is putting in place people on the Te Whatu Ora board who are going to drive further cuts in the health system to ensure it

can continue to operate on a reduced budget.”

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Dr Reti had referred to the recent appointment of new chair Lester Levy and Crown monitor Ken Whelan to the Te Whatu Ora board.

“I have a different view to the CTU because what New Zealanders will see is \$16.68 billion, the biggest injection over three years ever into health. And yes, they’ll also understand that the situation is financially challenging. I’m not saying that’s the panacea for everything. But it is a substantial increase,” Dr Reti says.

“In fact, if we look at percentage increases on the previous year, Vote Health has substantially increased by roughly around 11.8 per cent on 2023/2024.”

But Dr Verrall hit back. “In real terms, your funding has gone down. The way you’ve met the funding uplift in this Budget is through \$1.03 billion in cuts within the health system.”

“So, mostly, the health system is eating itself to fund that uplift. So that is not a sustainable way to go forward in the future.”

But Dr Reti reminded Dr Verrall that the Government had been in office for less than a year and the previous administration had “several years” to address the problems in the health system.

Primary health funding

After Dr Verrall raised it, the select committee briefly discussed primary health at the end of the session.

“GPNZ estimates a 15 per cent uplift is required for sustainable general practice. I believe since the Budget, you have made comments about uplift

likely being 5.8 per cent,” she says.

“We’ve heard today at this hearing there’s no additional funding for pay parity and that’s come out of that uplift. That must be tremendously disappointing to the general practice community, and it must put service sustainability at risk.”

Dr Reti confirmed the numbers are still being worked through.

“The exact uplift for general practice hasn’t been determined, but what has been determined is that it will be part of the \$531 million I believe it is of the community uplift. We understand the tensions that general practice has had for many years – I understand that,” he says.

Dr Reti says a proposed 5.88 per cent increase in capitation is an “annual cost price increase” and will help determine how much of the community funding will go towards general practice.

But Dr Verrall says his comments don’t match commitments made on the campaign trail.

“You hinted at substantially better funding for primary care in the election campaign, and it looks like the reality is going to be strikingly different from that. How do you think the primary care sector would feel about that?”

He conceded it would be a challenge to meet National’s campaign commitments due to the financial position of the health sector.

Medical student changes

And the testy exchanges between the minister and his predecessor in the portfolio didn’t end there.

Dr Verrall was also keen to attack the Government over its failure to honour a campaign commitment to fund an additional 50 medical students, which it has since paired back to 25 in Budget 2024.

“Minister, I put it to you that your pre-election commitments included a dated commitment to have those 50 medical students in this year and that this is an example of a broken promise after you said the health workforce is in crisis.”

Dr Reti wasn't willing to accept the criticism and said the "Pharmac fiscal cliff" was to blame for the lack of available funds.

"We weren't able to do everything in this Budget and we understand that."

Despite Dr Reti's response, Dr Verrall suggested the issue was linked to the National Party's plan to build a third medical school.

"What do you say to commentary minister that the reason this project has been scaled back, the commitment to training additional medical students has been scaled back, is because you are trying to preserve this failing Waikato medical school when you're already hitting trouble with that business case."

She referred to the concerns raised by auditor-general John Ryan about the University of Waikato's decision to hire [former National MP] Steven Joyce's firm to help lobby the Government to fund the project.

Dr Reti says there is no link between the two projects and the cost-benefit analysis for the third medical school will be delivered soon.

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