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Under-inflation 5 per cent capitation increase on the table, sector feedback on way



Fiona Cassie

fcassie@nzdoctor.co.nz

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The controversial capitation formula has led to a 5 per cent contract increase being offered to general practices [Image: Chronis Yan on Unsplash]

A Te Whatu Ora offer to general practices of a 5 per cent funding uplift is being described as “nowhere near enough” and likely to worsen underfunding challenges.

The uplift was tabled on Monday evening at the first primary care roundtable funding talks since 1 June 2022, **when general practice leaders rejected last year’s 3 per cent uplift as “insulting”**.

Primary care representatives are now gathering feedback to this year’s offer, which may be the last under the current, widely criticised, capitation funding model.

Te Whatu Ora-approved offer

New Zealand Doctor Rata Aotearoa understands Te Whatu Ora’s board has approved a 5 per cent uplift across national contracts for 2023/24 including not only the

primary care sector's PHO Services Agreement but also the Community Pharmacy Funding Agreement.

General Practice NZ chief executive Maura Thompson confirmed primary care funding representatives received a letter on Monday morning from Te Whatu Ora about the proposed 5 per cent uplift from 1 July.

A General Practice Owners Association (GenPro) members' briefing, seen today by *New Zealand Doctor*, includes links to the letter from Te Whatu Ora national director commissioning Abbe Anderson.

The letter says the Government's cost pressure formula, widely criticised by the sector as not fit for purpose, had this year calculated the annual statement of reasonable fee increase (ASFRI) for patient copayments at 4.92 per cent.

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Meeting feedback

Ms Thompson says primary care representatives at Monday's brief online meeting with Te Whatu Ora and Te Aka Whai Ora representatives "made it clear that 5 per cent is not anywhere near enough to address the cost pressures on general practice".

"That was heard and understood. Te Whatu Ora also made it clear that that is the funding that they have been given."

Also attending the meeting were the two Contracted Provider Caucus representatives, specialist GPs Angus Chambers and Mark Peterson, plus caucus secretariat leader Philip Grant, who is also GenPro's chief executive.

Mr Grant, in his members' briefing, says at Monday's meeting caucus representatives pointed out 5 per cent was not enough to maintain capitation value and the proposed uplift would make worse the underfunding situation that was already "impacting upon patients" and causing "significant challenges in primary care".

"The challenges cannot wait another year or for another review before any action is taken to address the underfunding," he wrote.

More details

Both GPNZ and the Contracted Provider Caucus are seeking further details from Te Whatu Ora on the cost pressure calculations leading to the 4.92 per cent ASFRI figure.

Stats NZ shows Consumer Price Index inflation peaking at 7.3 per cent in June 2022, sitting at 7.2 per cent in December 2022 and reducing slightly to 6.7 per cent in March 2023.

The ASFRI figure is historically used to guide the annual capitation increase under a funding model the sector argues has increasingly over the years fallen behind the true cost of delivering services.

Dr Anderson's letter says new funding models for primary care are on the way and Te Whatu Ora is "committed to closing frontline pay parity gaps". No timelines were given for either.

A meeting is being arranged for next week to discuss sector feedback and whether the 5 per cent uplift will be extended this year to the contract funding streams, like Health Promotion and Services to Improve Access; last year, these received no increase.

Last year's uplift, like most recent annual contract increases, had to be introduced by the Government under a "compulsory variation" after being rejected as inadequate by contracted providers.

Ms Thomson says GPNZ has sent an initial bullet point list to Te Whatu Ora in response to the uplift offer, including pointing to CPI inflation statistics and findings of the Sapere review of primary care capitation funding.

Technically not a 'PSAAP' meeting

Monday's meeting was not technically a meeting of the PHO Services Agreement Amendment Protocol (PSAAP) group.

PSAAP has not met since 1 June due to an impasse over who represents general practice owners under a new PSAAP protocol recognising Te Whatu Ora as the new funding agency for the services agreement.

That impasse is still not resolved but meanwhile the usual PSAAP parties agreed to meet with Te Whatu Ora and Te Aka Whai Ora on Monday for discussions on the 1 July uplift.

Ms Thompson says she has also sought clarification from Te Whatu Ora on the status of the funding talks process, as it is not officially being carried out under the PSAAP process.

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