



## Budget 2026: A Managed Decline for Health

### Health system underfunding continues – historic gap widens

*Budget 2026 underfunds health system cost pressures between \$300 and \$600 million. The historic underfunding of the system and failure to address the declining health of working age population continues, as is the lack of priority to workforce shortages*

#### Key facts

- \$1.1 billion (3.8%) net additional for health services<sup>1</sup>. This is \$300 million less than needed to maintain the *bare bones* of existing services.
- Primary, community, public and population health services received half of the 2026/27 ‘new’ money.
- Approximately \$400 million ‘old’ money/time limited funding removed as ‘savings’.
- Disability Support Service funding in Budget 2026 is time-limited, meaning expected cuts of \$375 million per year from 2027/2028.
- Plunket coalition agreement still not honoured.

Budget 2026 does nothing to address unmet need, expand the scope and scale of health services, or expedite lengthy waitlists for planned care.

#### Background

In a recent pre-Budget report for Kaitiaki Hauora<sup>2</sup>, Dr Jackie Cumming and Dr Bill Rosenberg outlined that increased funding of \$1.405 billion is needed to meet the cost and demographic pressures for Health in Budget 2026. They further state that:

*If the increase in funding is less than \$1.405 billion, ..., people can justifiably conclude that existing services have not been sufficiently funded to maintain their current levels in the face of rising wage and non-wage costs... Further deterioration of services will result.<sup>3</sup>*

This amount would do nothing to help catch up and keep up from the years of underspending compared to comparative countries (**Figure 1**) or the years where the population was increasing and yet the percentage of health funding to GDP was declining (**Figure 2**).

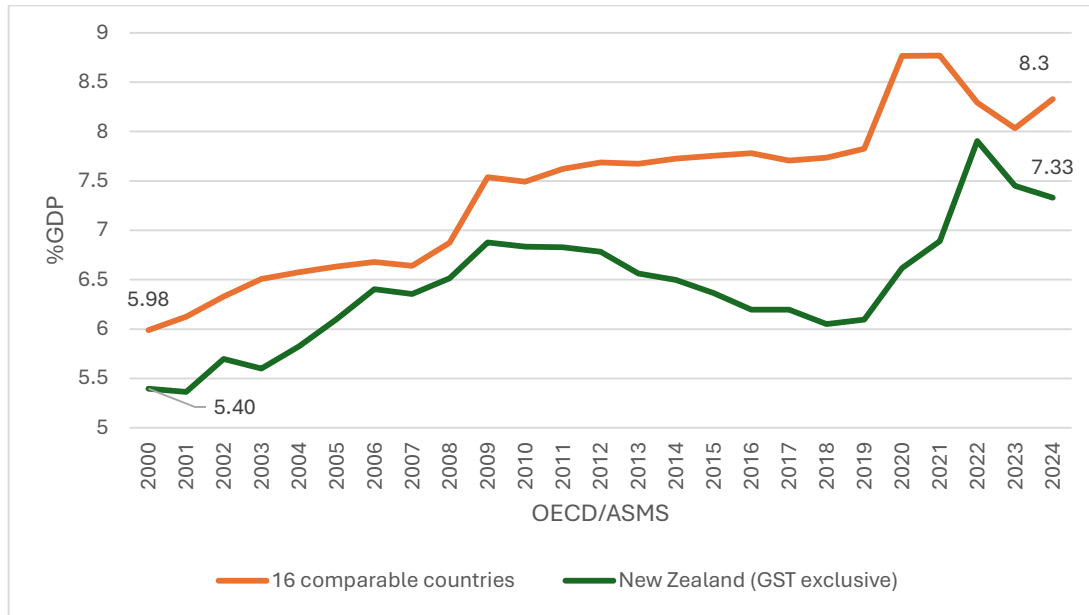
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<sup>1</sup> Non-departmental output

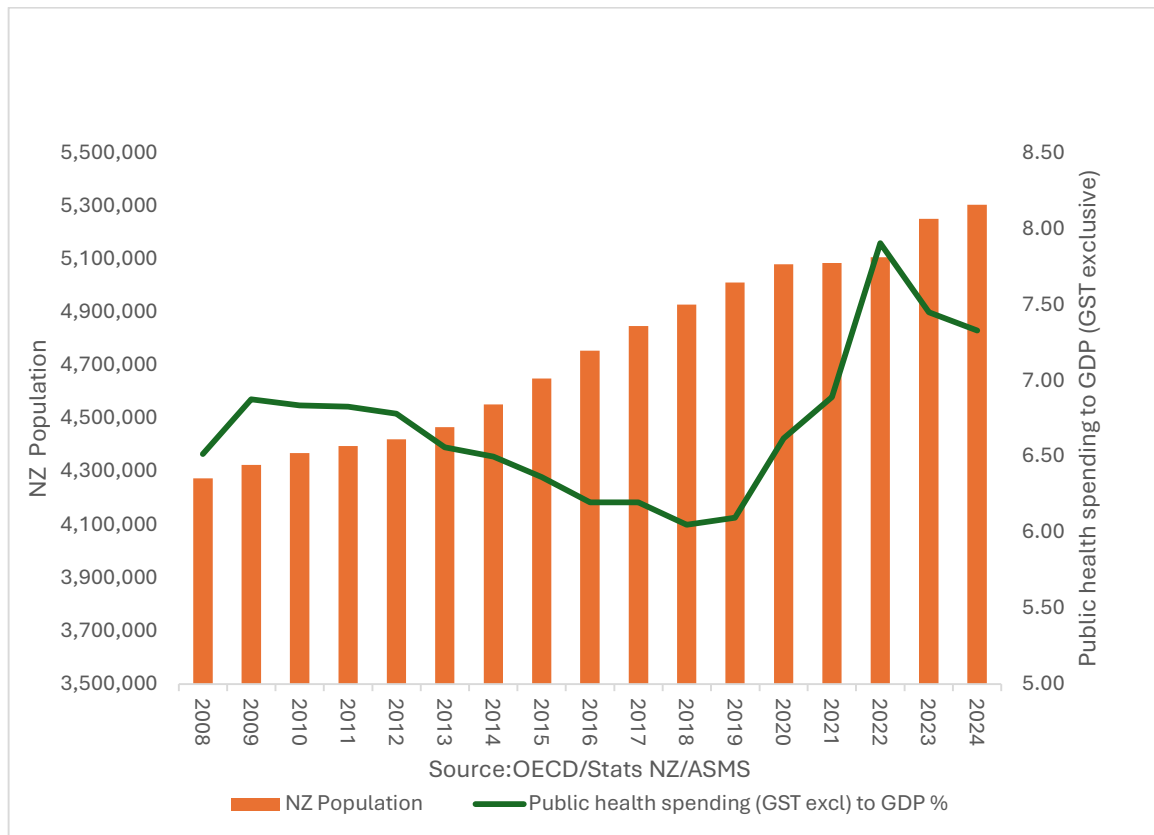
<sup>2</sup> Cumming, Jacqueline and Rosenberg, Bill, “How Much Funding Is Needed for Health in the 2026 Budget.”

<sup>3</sup> Ibid page 2”

**Figure 1: Health Spending - NZ v Comparable Countries**

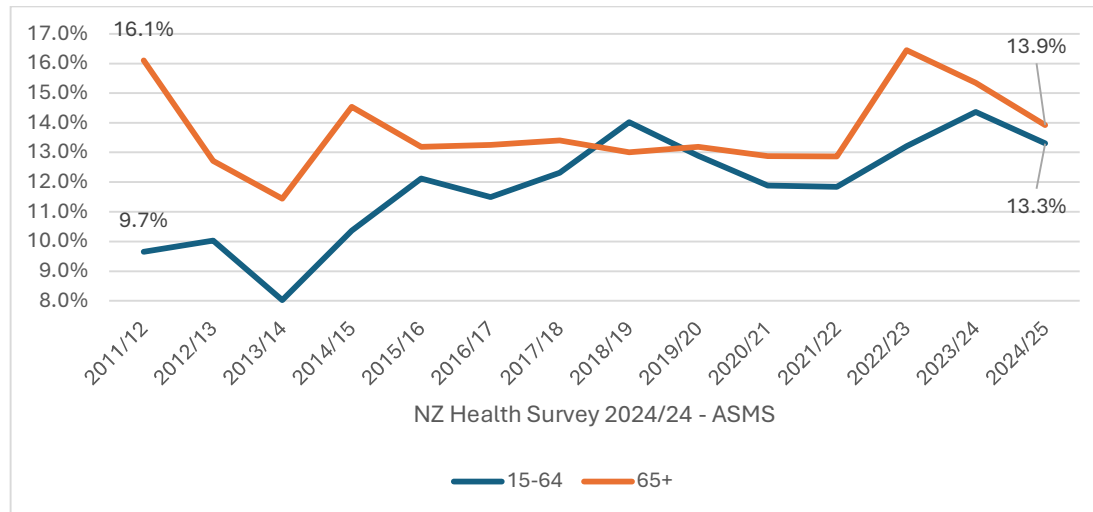


**Figure 2: Health public spending %GDP (reported to OECD) compared to population**



The amount calculated by Cummings and Rosenberg of \$1.405 billion, allowed for an ‘ageing population’ - the growing proportion of New Zealanders over 65 years of age - but made no allowance for the fact that our working-age population now has poor or fair health comparable with the older age group.

**Figure 3 Self-reported poor/fair health by age band**



The \$1.405b calculated by Cumming and Rosenberg also made no allowance for the \$300 million of new initiatives announced by the Minister of Health Simeon Brown in the last financial year. Therefore, Cumming and Rosenberg’s cost pressures calculation was an absolute *bare bones* number for the health system: a point they acknowledge themselves.

But even with those caveats, Budget 2026 remains woefully inadequate.

While the headline number of \$1.45 billion indicated funding at the level calculated by Cumming and Rosenberg, when adjusted for the non-renewal of time-limited funding, Budget 2026 has only provided \$1.1 billion in additional funding. Furthermore, \$300 million of this reduced uplift has been pre-allocated in announcements by the Minister.

Therefore, the crisis in the health system continues, and nothing is being done to address the historic deficit or acknowledge the decline in the health of the working age population. This is shown by a 20% rate of declined referrals for specialist assessment and the small or no change in the number of planned care procedures being undertaken.

## What wasn’t in the Budget for Health?

As well as a lack of catch up for the historic underfunding or any funding increase given that the working age population now has comparable health to those over 65; over the last year analysis by the New Zealand Nurses Organisation has shown that the Minister of Health has announced new initiatives from baseline of over \$300 million. As Hospital and Specialist Service have received only an additional – net – amount of \$460 million, these additional initiatives will take 65% of the additional funding.

## What was in the Budget for Health?

The headline analysis for Vote Health is that it received \$1.45 billion in additional ‘new’ money in this Budget.<sup>4</sup> This was made up of:

- \$800 million to Hospital and Specialist Services,
- \$500 million to Primary Community Public and Population Health services,
- \$56 million to Pharmac,
- \$37 million to Hauora Māori,
- \$23 million to increase mileage rates,
- \$34 million to improve cyber security.

While this is largely true, there was also the following removal of ‘old money’, or time limited funding from Budget 2026. This included:

- \$47 million from Hauora Māori, including for the Immunising our Tamariki programme,
- \$200 million from Hospital and Specialist Services from 2024 to help it meet its cost pressures in 2025/26,
- \$155 million from Hospital and Specialist Services to fund Collective Agreement settlements,
- \$10 million from Pharmac for funding in Budget 2025 to support the ability to receive 12-month prescriptions,
- \$24 million from Hospital and Specialist Services to improve cyber security.<sup>5</sup>

Alongside these net funding reductions, Budget 2026 has Hospital and Specialist Services transferring \$95 million to Primary Community Public and Population Health Services. It is unclear why this mechanism was chosen rather than adjusting the original allocation of cost-pressure money by \$95 million.

The effect of the additional money less the ‘savings’ is that the operating expenditure for Health has – effectively<sup>6</sup> - increased by \$1.1 billion. This can be broken down into:

- \$460 million increase to Hospital and Specialist Services  $\$.460/\$16.20b = 2.8\%$ ,
- \$600 increase to Primary and Community Services  $\$.6/\$9.7 = 6.2\%$ ,
- \$55 million increase to Pharmac,
- \$11 million decrease to Hauora Māori.

A reconciliation of these amounts back to appropriations can be found in the Appendix.

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<sup>4</sup> Willis N. Budget 2026: Summary of Initiatives. Wellington, NZ: New Zealand Government; 2026.

<sup>5</sup> In practice there were many ‘ins and outs’ in the health budget but this list represents the key items.

<sup>6</sup> It is an ‘effective’ increase rather than an actual increase because the capital charge – the charge paid by Crown entities for the use of capital – was removed in Budget 2026. As the capital charge for the previous year 2025/26 was \$660 million, this means that the actual increase of (\$29,032,000 less \$28,578,195) \$453 million needs to be increased by \$660m to get the correct comparator of \$1,113 million.

## Primary Care<sup>7</sup>

*As of March 2025, nearly 30% of general practices had closed books (or about 300 practices). Practices with closed books cite workforce shortages, underfunding and excessive workloads as the main contributing factors.<sup>8</sup>*

Budget 2026 sees an increase to Delivering Primary, Community, Public and Population Health Services of \$613.536 million to \$10.348 billion. This accounts for 31% of the Vote. This \$613.536 million includes:

- \$507 million from the Health Cost Pressure Funding for core demographic, volume and price pressures (37% of the funding uplift), equivalent to a 5% increase to 2025/26 Estimated Actual spending,
- \$95 million transferred from Hospital and Specialist Services to support continuation of the Primary Care Funding Boost initiative,
- \$6.4 million for a National Bowel Screening Age Extension from 58 to 56 beginning in September 2026,
- \$5.4 million for a Road Ambulance Service Uplift to deploy an electronic patient clinical record system, additional training for ambulance communications centre staff and additional clinical welfare checks.<sup>9</sup>

New spending within Primary, Community, Public and Population Health Services is largely directed toward ambulance services and extending the bowel cancer screening programme, rather than strengthening general practice, community-based care and core prevention, early intervention, and monitoring measures.

The Primary Care Funding Boost was an extra \$95 million per year, available from July 2025, for general practices to improve access to their services, provide more specialist treatment to patients, and increase delivery against a set of key health targets. This funding is intended to incentivise general practices to provide more services, improve access to primary care appointments for New Zealanders and reduce cost growth in the hospital sector.

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<sup>7</sup> The Primary, Community, Public and Population Health Services budget covers a wide range of health services without clear demarcations across primary care services. These include general practice, aged care and home support, community mental health, public and population health programmes such as screening and immunisation and community iwi health providers that receive funding through PHO contracts.

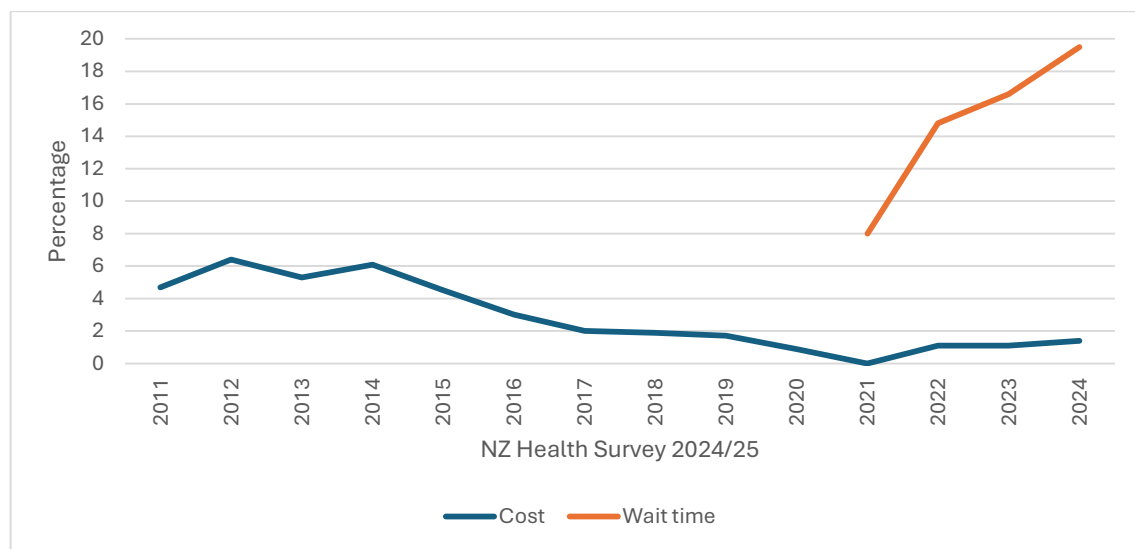
<sup>8</sup> Johnston M. New Zealand Doctor [Internet]. 2026 [cited 2026 Jun 12]. Te Whatu Ora finds closed books at 302 practices nationwide – 29.5 per cent. Available from: <https://www.nzdoctor.co.nz/article/news/te-whatu-ora-finds-closed-books-302-practices-nationwide-295-cent>

<sup>9</sup> While the establishment of two ambulance hubs in Auckland have been announced, the Capital funding details are withheld.

This might include things like extended opening hours, access via e-consults, and same-day appointments for urgent care needs. When the project was announced, it was costed at \$285 million over three years.<sup>10</sup> This is not additional health funding, but instead Hospital and Specialist Services baseline funding transferred into general practice funding to cover the shortfall.

About 94% of New Zealanders are enrolled with a primary care provider, and one in four adults (25.5%) and one in five children (19.5%) reported 'time taken to get an appointment too long' as a barrier to visiting a GP in the 12 months prior to the 2024/25 New Zealand Health Survey. While cost can be a barrier to access for a GP, waiting time is the greatest barrier, as seen in children's unmet need for a GP, even when there is no cost.

**Figure 4 Unmet need for a GP children 0-14 years**



#### *Primary Care Tactical Action Plan*

The Primary Care Tactical Action Plan is a project to grow and retain the primary care workforce and expand digital access to 24/7 primary care. Outcomes by 2028 include:

- Doctor pathway: 150 more GPs (up to 50 domestic medical graduates in primary care training pathways and 100 overseas-trained doctors supported into practice via primary care training pathway)
- Nurse pathway: 300 more Nurse Practitioners trained, employer incentives to employ 400+ Graduate RNs annually into primary care, support 120 nurses to advance education (including prescribing), and Expanded funding support for training 180 Nurse Practitioners annually

<sup>10</sup> Factsheet: Primary Care Funding Boost [Internet]. Wellington, NZ: Te Kāwanatanga o Aotearoa New Zealand Government; 2025 Mar. Available from: <https://www.health.govt.nz/system/files/2025-03/factsheet-primary-care-funding-boost.pdf>

- Implementing the new Primary Care Health Target: 80% of New Zealanders have access to primary care within one week, which comes into effect on 1 July 2026.

The implementation of the Plan's workforce aspects has been inconsistent and inadequate. Despite goals to place 400 new graduate nurses in primary care settings for their first year of practice by providing payments of \$15,000 to urban employers and \$20,000 to primary care employers, for the 2025/26 financial year as at 1 April, only 250 nurses had undertaken primary care placements, leaving a surplus of 150 graduate nurses to be placed by June 2026.<sup>11</sup>

However, eligibility for this funding is not limited to general practices but extends to a wider range of primary and community healthcare services, including aged care providers and HNZ-funded home and community support services. Only 49 international doctors are on the primary care pathway and plans to finalise the domestic GP pathway will not be operational until 2027.

The Primary Care Tactical Action Plan is costed at \$641 million over four years from 2025 through to 2028.<sup>12</sup> This was partially funded through baseline, with some aspects topped up through Budget 25 operating allowance and reprioritised spending. Treasury did not recommend funding through baseline given the scale of savings already required – but is unclear on the final allocation of funding.<sup>13</sup>

## Planned Care

The government has health targets that 95% of patients will wait less than 4 months for a first specialist assessment (FSA) and 95% of patients will wait less than 4 months for elective treatment. Performance against these targets is poor, with significant backlogs persisting since wait times blew out in the COVID-19 pandemic.<sup>14</sup>

Budget 2026 does not allocate any specific funding to clearing waitlist backlogs or supporting planned care targets, despite previous briefings from officials indicating that additional funding is needed. Despite this, the Minister of Health has claimed that increased funding would result in thousands of extra planned care treatments.<sup>15</sup>

A recent report from the ASMS reveals that 20% of specialist referrals are being declined, with the number of declined referrals increasing in recent years. Health New Zealand does not report

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<sup>11</sup> Health New Zealand Te Whatu Ora [Internet]. 2026 [cited 2026 Jun 12]. Funding for primary care employers to recruit graduate registered nurses. Available from: <https://www.healthnz.govt.nz/health-professionals/workforce-development/funding-for-employers-and-workforce-programmes/recruit-graduate-registered-nurses-primary-care-community-sectors-funding>

<sup>12</sup> Health New Zealand Te Whatu Ora [Internet]. 2025 [cited 2026 Jun 12]. Primary Care Tactical Action Plan. Available from: <https://www.healthnz.govt.nz/about-us/what-we-do/planning-and-performance/primary-care-tactical-action-plan>

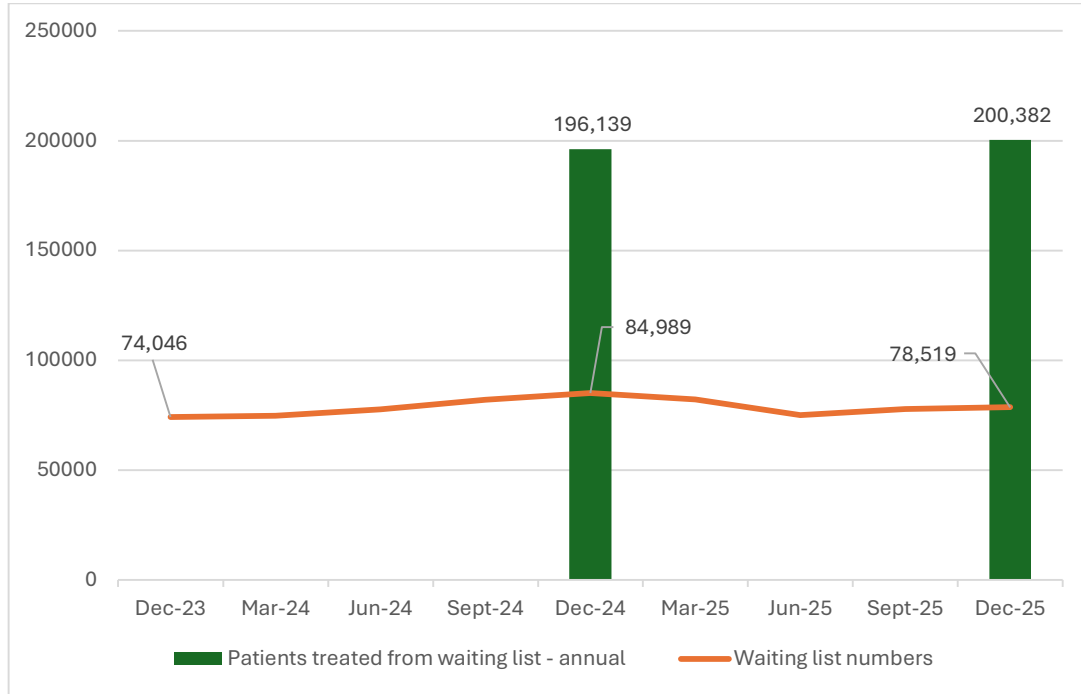
<sup>13</sup> Budget 2025 Information Release [Internet]. Wellington, NZ: The Treasury Kaitohutohu Kaupapa Rawa; 2025 Sep. Available from: <https://www.treasury.govt.nz/sites/default/files/2025-09/b25-t2024-3134-5043569.pdf> To meet the full cost of the Plan would be \$160 million annually over four years beginning in FY25/26. However, Budget 2025 Summary of Initiatives only allocates \$440 million over 4 years, a shortfall of around \$50 million annually through to 2028 that presumably is filled by reprioritised baseline funding.

<sup>14</sup> Health New Zealand | Te Whatu Ora [Internet]. 2025 [cited 2026 Jun 12]. Health targets. Available from: <https://www.healthnz.govt.nz/about-us/what-we-do/planning-and-performance/health-targets>

<sup>15</sup> Beehive.govt.nz [Internet]. 2026 [cited 2026 Jun 12]. Record health funding with patients at the centre. Available from: <https://www.beehive.govt.nz/release/record-health-funding-patients-centre>

on this invisible waiting list at the national level, and it is not reflected in health target performance data. Without additional funding to increase capacity for delivering planned care, this invisible waiting list will continue to grow.<sup>16</sup> We note that both the elective waiting list in terms of numbers on the list and patients treated, and the equivalent for first specialist appointments, have effectively plateaued.<sup>17</sup>

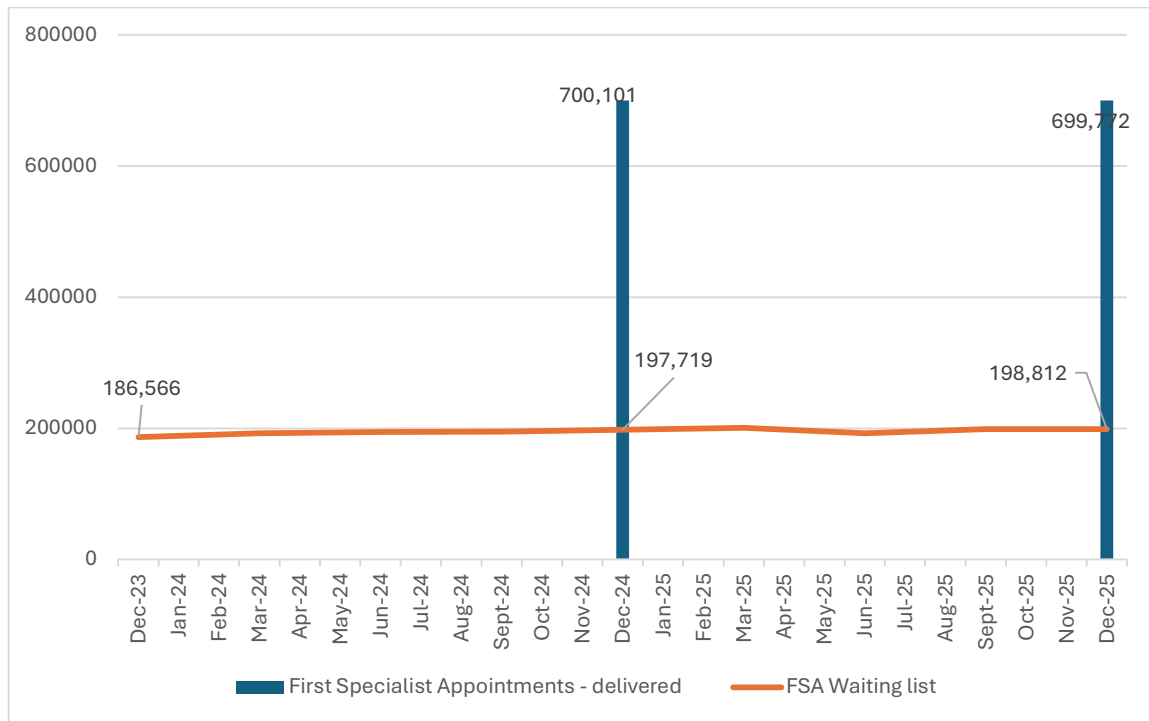
**Figure 5 Elective treatment waiting list: patients waiting and patients treated**



<sup>16</sup> Unmet, unmeasured and unseen: The invisible waitlist for care [Internet]. Wellington, NZ: Toi Mata Hauora Association of Salaried Medical Specialists; 2026 May. Available from: <https://asms.org.nz/wp-content/uploads/2026/05/Unmet-and-Unseen.pdf>

<sup>17</sup> Data from Unmet, unmeasured and unseen

**Figure 6 First Specialist Appointments: patients waiting and patients seen by doctor**



At the same time, the Government’s elective boost strategy has led to increased outsourcing, with a significant rise in the amount of public money spent on outsourcing planned care to private facilities.

As of May 2025, the total payments Health New Zealand made to private hospitals increased by roughly \$10 million a month.<sup>18</sup> There is no public analysis available from Health New Zealand comparing the cost of outsourcing procedures to the cost of providing them in public, or what extra public capacity could be developed if the funding were utilised in the public system.

### Post natal care

A centre piece of Budget 2026 was \$34.4 million over four years to implement the 3 Day Postnatal Stay Amendment Bill, which will create a legal entitlement for all birthing people to access a minimum stay in an inpatient care facility following delivery or at admission to such a facility.<sup>19</sup>

<sup>18</sup> Information received under the Official Information Act by the New Zealand Nurses Organisation.

<sup>19</sup> A submission from the Ministry of Health to Select Committee estimated the capital funding required to cover the cost of providing the extra beds necessary to meet increased demand at over \$100m. Health NZ advised it would cost \$1.24m - \$1.45m per extra bed, including ensuite facilities, depending on whether new structures were required or not, however, the initiative does not include any tagged Capital funding. Lynch J. Stuff [Internet]. 2026 [cited 2026 Jun 12]. The Government announced a three-day stay in maternity care for new mums. It didn’t fund the beds. Available from: <https://www.stuff.co.nz/politics/360988654/government-announced-three-day-stay-maternity-care-new-mums-it-didnt-fund-beds>

Funding is a phased rollout, with only \$1.6 million budgeted for 2026/27 and again in 2027/28. Despite suggesting this would be available to all birthing parents immediately, the National Party later clarified:

“It explained Health New Zealand would begin by using existing capacity with the funding rolled out through a stated implementation over three years, allowing time to grow workforce and bed capacity.”

First-time parents would be prioritised in the first two years, with full access for all people giving birth by the end of year three.<sup>20</sup> We will be interested to see how the Government can legally bring in this phased eligibility approach when the wording of the legislation is: "Every woman and newborn is entitled to be provided with publicly funded inpatient postnatal care for a minimum period of 72 hours following birth."<sup>21</sup>

However, it is unlikely this initial funding will meet even the scaled-back promise of expanded bed-stays for new parents over the next 2 years. In 2024, of the 58,090 people who gave birth, 42% were doing so for the first time. This equates to 23,289 first time parents.<sup>22</sup> If we had similar rates of first-time parents this financial year, it would mean that \$68.70 per person is available for a third day in hospital.

If we take the total number giving birth in 2024 and apply this to the third-year rate, which the Government claims will fund full coverage, this is \$228.95 per person before accounting for any further inflation or cost pressures by 2028/29. This will put a further strain on this funding.

## Paediatric palliative care

The government made a pre-announcement of \$15.5 million for paediatric palliative care. The fund for FY26/27 amounts to only \$2.4 million. The initiative will establish two multidisciplinary specialist paediatric palliative care teams (one in Northern and one in Te Waipounamu regions). It provides funding to train one registrar per year in specialist paediatric palliative care, "to support workforce sustainability".

## Mental Health

In 2025, ASMS published *Managed Decline*, an analysis of the New Zealand Health Survey. The paper revealed that levels of high or very high psychological distress of the working age

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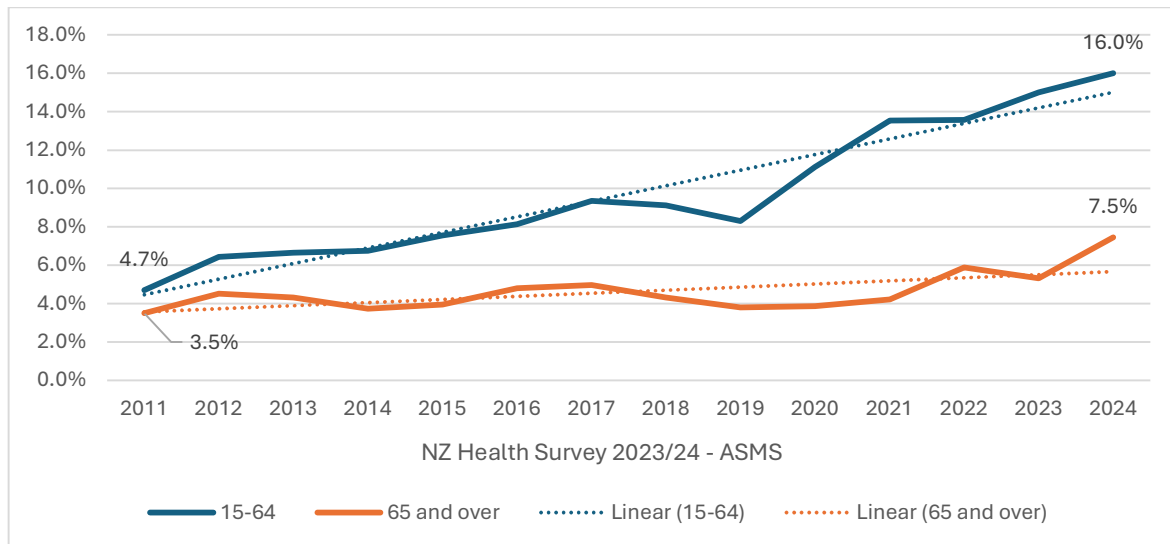
<sup>20</sup> Hanly L. RNZ [Internet]. 2026 [cited 2026 Jun 12]. Post-natal stay announcement “incorrectly characterised”, Christopher Luxon says. Available from: <https://www.rnz.co.nz/news/political/597006/post-natal-stay-announcement-incorrectly-characterised-christopher-luxon-says>

<sup>21</sup> <https://www.legislation.govt.nz/bill/members/2024/37/en/latest/#LMS946630>

<sup>22</sup> Te Whatu Ora Health New Zealand, Maternity web tool: Number of people giving birth, by parity, 2008 to 2024. <https://tewhatuora.shinyapps.io/report-on-maternity-web-tool/>

population had increased by almost a factor of 4 over the period 2011/12 to 2024, while for the 65 and over age group, it had ‘merely’ doubled.

**Figure 7 High or very high self-reported psychological distress**



Similar outcomes were found with unmet need for mental health services. In 2024/25, 12.3% of the working-age population had unmet need for mental health services, while for those 65 and over, it was 3.3%.

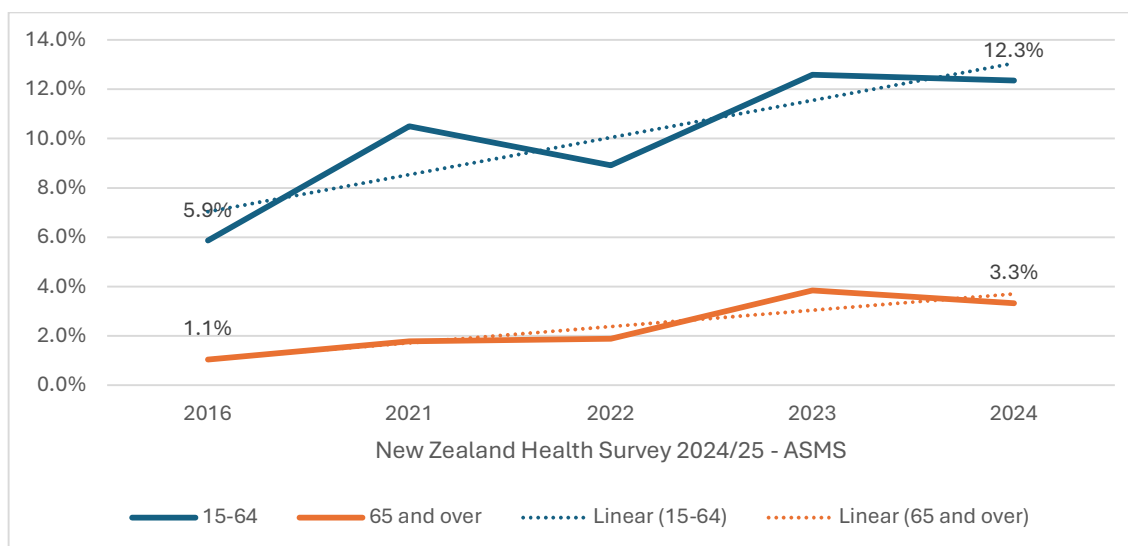
*Mental Health and Addiction Workforce*

In many ways, spiralling rates of unmet need for mental health services are completely predictable given staff shortages (**Figure 8**). The Psychiatry workforce has the highest rate of shortages of senior medical officers out of all scopes of practice, with Health New Zealand estimating a shortage of 23.4% or 210 Psychiatrists nationwide.<sup>23</sup> For nurses, the story is similar. Health New Zealand data from 2025 on nursing staffing levels shows that mental health inpatient wards continue to be understaffed at crisis levels, with 8 out of the 10 most understaffed wards across the country last year being mental health wards.<sup>24</sup>

<sup>23</sup> Health New Zealand | Te Whatu Ora [Internet]. 2025 [cited 2026 Jun 12]. Health workforce plan — medicine analysis. Available from: <https://www.healthnz.govt.nz/about-us/what-we-do/planning-and-performance/health-workforce-planning/health-workforce-plan-2024-detailed-analysis-and-data/workforce-plan-profession-specific-analysis/health-workforce-plan-medicine-analysis>

<sup>24</sup> Health New Zealand Care and Capacity Demand programme data released under the Official Information Act to the New Zealand Nurses Organisation.

**Figure 8 Unmet need for mental health services by age band**



Therefore, mental health is a significant issue for New Zealand and is likely to be the cause of the overall decline in self-reported health for the working age population, as shown in

**Figure 3** and yet there is no specific funding appropriation for mental health and addiction. There are no new mental health initiatives announced in Budget 2026, despite the government having introduced five targets for mental health and addiction. There is some ongoing funding for initiatives previously announced, including transition to multi-agency response for 111 mental distress calls (\$4,705,000 in 2026/27) and improving mental health inpatient unit environments (\$367,000 in 2026/27).

The majority of Vote Health funding for mental health and addiction is ringfenced. The ringfence aims to ensure the amount spent on mental health and addiction every year increases each year in line with cost pressures and is not spent on other services. However, briefings from officials highlight that the Ministry of Health doesn't receive adequate information to provide assurance about how the ringfenced funding is spent, and that the level where the ringfence was originally set doesn't reflect population need or demand for services. This means that the ringfence sits lower than population need.

## Hauora Māori

Budget 2026 ends time-limited funding of \$48.5 million for Hauora Māori service delivery, including cuts of:

- \$25 million supporting the Immunising Our Tamariki programme,
- \$22.2 million for other unspecified Hauora Māori health programmes that contribute towards health targets for Māori,
- \$1.3 million to test and support Kahu Taurima, a maternal mental health and wellbeing assessment tool for use within Hauora Māori services.

The 2026 cost pressure uplift for delivering Hauora Māori services is \$37 million, resulting in a deficit of \$11.5 million.

The Immunising Our Tamariki programme was launched in 2023 by then-Minister of Health Dr Shane Reti, with \$50 million of funding to support the delivery of childhood immunisations through Hauora Māori providers. In June 2025, Minister Brown described the programme as “successful... a clear example of how backing local health providers and frontline workers delivers better outcomes for the communities they know best.”<sup>25</sup>

On 15 May 2026, Health New Zealand announced “strong gains in 2-year immunisation target for Tamariki Māori”, reporting that March quarter health target data showed 71.5% of tamariki fully immunised at 24 months.<sup>26</sup> However, the most recently published ethnicity breakdowns for health target data (October-December 2025) show 67.8% of tamariki Māori being fully immunised.<sup>27</sup> The gap between Māori and non-Māori remains, with the average for all other ethnicities at 87.7%.

The decision not to renew funding for this programme will likely contribute to increased immunisation inequities for whānau Māori for all vaccine-preventable conditions. Although the programme was focused on tamariki, building engagement with whānau also increases opportunities for māmā and other whānau members to be immunised, increasing the risk of avoidable hospitalisations for influenza, measles and Covid-19.

## Data and Digital

The Budget 2026 allocates \$34.2 million dollars next year and \$39.8 million in subsequent years for cybersecurity. Only \$10 million of this year’s funding is new money. After the Waikato incident in 2021, \$24.2 million over five years was allocated for cybersecurity in Health New Zealand. That funding would have run out this year.

Ten million dollars is inadequate. We have seen the consequences of this underfunding in outages and cyber breaches<sup>28</sup>. Health New Zealand was warned that there were clinical risks from its cuts to data and digital but continued anyway. We note that this year alone, there has been a:

- 12-hour outage at Auckland hospitals in January,
- 2-hour outage at Auckland and Northland hospitals late February,

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<sup>25</sup> Beehive.govt.nz [Internet]. 2025 [cited 2026 Jun 12]. Successful childhood immunisation programme delivering results. Available from: <https://www.beehive.govt.nz/release/successful-childhood-immunisation-programme-delivering-results>

<sup>26</sup> Health New Zealand | Te Whatu Ora [Internet]. 2026 [cited 2026 Jun 12]. Strong gains in 2-year immunisation target for Tamariki Māori. Available from: <https://www.healthnz.govt.nz/news-and-updates/strong-gains-in-two-year-immunisation-target-for-tamariki-maori>

<sup>27</sup> Health New Zealand | Te Whatu Ora [Internet]. 2025 [cited 2026 Jun 12]. Health targets. Available from: <https://www.healthnz.govt.nz/about-us/what-we-do/planning-and-performance/health-targets>

<sup>28</sup> <https://www.privacy.org.nz/focus-areas/manage-my-health-inquiry/executive-summary-manage-my-health-phase-one/>

- 6-hour outage at Wellington Hospital and other lower North Island hospitals in January.<sup>29</sup>

In 2025 Health New Zealand slashed data and digital roles by almost 1,000 in order to cut the Data and Digital budget by \$100 million.<sup>30</sup> The \$10 million in additional funding is a drop in the bucket of what has already been cut, let alone what is needed to deliver a modern health system.

## Plunket

The NZ First and National parties 2023 coalition agreement to “ensure Plunket is funded to do their job properly” was forgotten in Budget 26. Plunket nurses see about 80% of all newborn babies in Aotearoa, including 51% of Māori pēpi.

Plunket reported in their 2025 Annual Report, “It’s no secret that we are challenged by uncertain and chronic government underfunding of our important services. This means that as a charity, fundraising for Whānau Āwhina Plunket is vital to keep the lights on. Plunket is committed to ensuring every child has the best possible start in life, but the reality in the current cost-of-living crisis is that funds are getting tighter and the needs of whānau are greater.”<sup>31</sup>

Plunket reported a \$563,000 deficit in 2025, despite \$7.9 million in additional income streams, primarily from charitable donations.<sup>32</sup> Core public health services for whānau and babies should not have to cover the shortfall with charitable donations, and Plunket should be funded to expand its coverage and extend services to high-need and at-risk whānau and tamariki.

## Disability Support Services

While this Vote is separate to Health, there is a very strong link as unfunded disability support leads to increased demand for health spending in the future.

Budget 2026 included an increase of approximately \$375 million across Vote Disability Support Services. However, this increase is a result of a \$200 million underspend in 2025/26 due to restrictions on accessing services, as well as a \$175 million transfer from 2025/26 to 2026/27.

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<sup>29</sup> MacDuff K. RNZ [Internet]. 2026 [cited 2026 Jun 12]. Health NZ confirms another major tech outage. Available from: <https://www.rnz.co.nz/news/national/584179/health-nz-confirms-another-major-tech-outage>

<sup>30</sup> We note this is roles not jobs as many of the roles were vacant at the time. RNZ [Internet]. 2025 [cited 2026 Jun 12]. Health NZ confirms a third of all IT roles will be cut. Available from:

<https://www.rnz.co.nz/news/political/559510/health-nz-confirms-a-third-of-all-it-roles-will-be-cut>

<sup>31</sup> Annual Report 2025 [Internet]. Wellington, NZ: Whānau Āwhina; 2025. P.60. Available from: [https://www.plunket.org.nz/assets/Annual-report/Whanau-Awhina-Plunket-Annual-Report-2025\\_web.pdf](https://www.plunket.org.nz/assets/Annual-report/Whanau-Awhina-Plunket-Annual-Report-2025_web.pdf)

<sup>32</sup> Annual Report 2025 [Internet]. Wellington, NZ: Whānau Āwhina; 2025. P.60. Available from: [https://www.plunket.org.nz/assets/Annual-report/Whanau-Awhina-Plunket-Annual-Report-2025\\_web.pdf](https://www.plunket.org.nz/assets/Annual-report/Whanau-Awhina-Plunket-Annual-Report-2025_web.pdf)

As this is time-limited funding, it is important to note that this means comparable cuts in funding for future years. These cuts can be linked to the legislative changes. We note that there has also been a cut in Budget 2026 for responding to legal challenges, which aligns with this Government's approach to limiting people's access to justice.

## Holiday Pay remediation

Non-compliance with the Holidays Act 2003 continues to be a running sore for Health New Zealand. Budget 2025 provided almost \$600 million to settle the backlog of payments owing to staff. However, only \$400 million was repaid, and this year over \$1 billion has been allocated to redress underpayments.

## Capital initiatives

While \$3.7 billion has been appropriated in this year's budget, \$1 billion is for holiday pay remediation. As some of this \$3.7 billion is both in a tagged contingency and the amount is not disclosed for commercial reasons; it is not possible to fully identify its allocation. What can be identified though is:

- \$174.3 million for Health New Zealand to enter into a construction contract for an inpatient building,
- \$80.850 million for the establishment capital costs of the new medical school at the University of Waikato,
- An unknown amount for land purchase in South Auckland to enable a future new hospital,
- An unknown amount to fund an energy centre, more car parking, and fit-out of the second floor of the Mason clinic,
- \$12.5 million to support the extension of the age for national bowel screening,
- An unknown amount to deliver a 158-bed ward tower in Whangārei,
- An unknown amount for design and enabling works through 26/27 and 27/28 for the Tauranga, Palmerston, and Hawkes Bay hospitals,
- An unknown amount to establish ambulance hubs in Auckland.

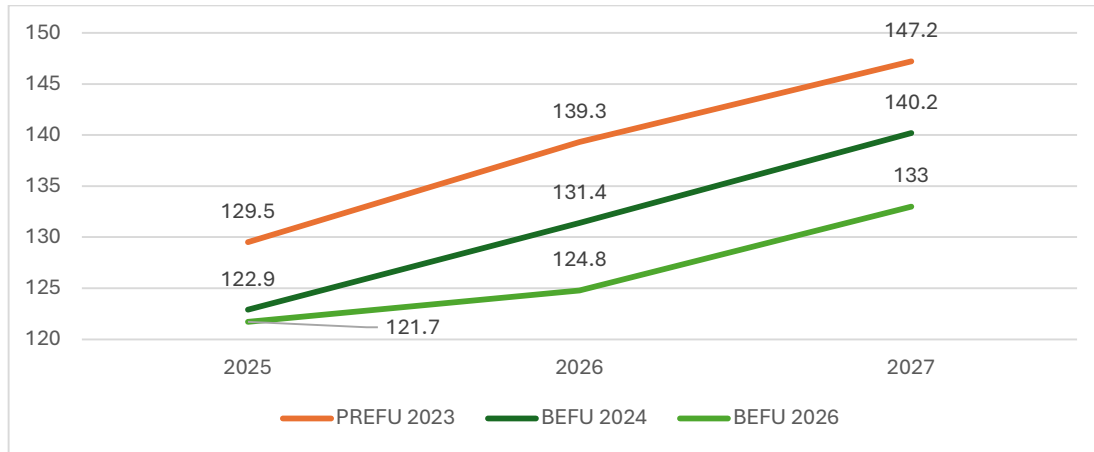
## Conclusion

While the continual degradation of the public health system is alarming, it shouldn't be surprising. Its primary source of revenue is taxation, and since PREFU 2023, there has been a reduction in the estimates of taxation collected of at least \$35 billion<sup>33</sup>, money that the health system and other public services could have usefully deployed.

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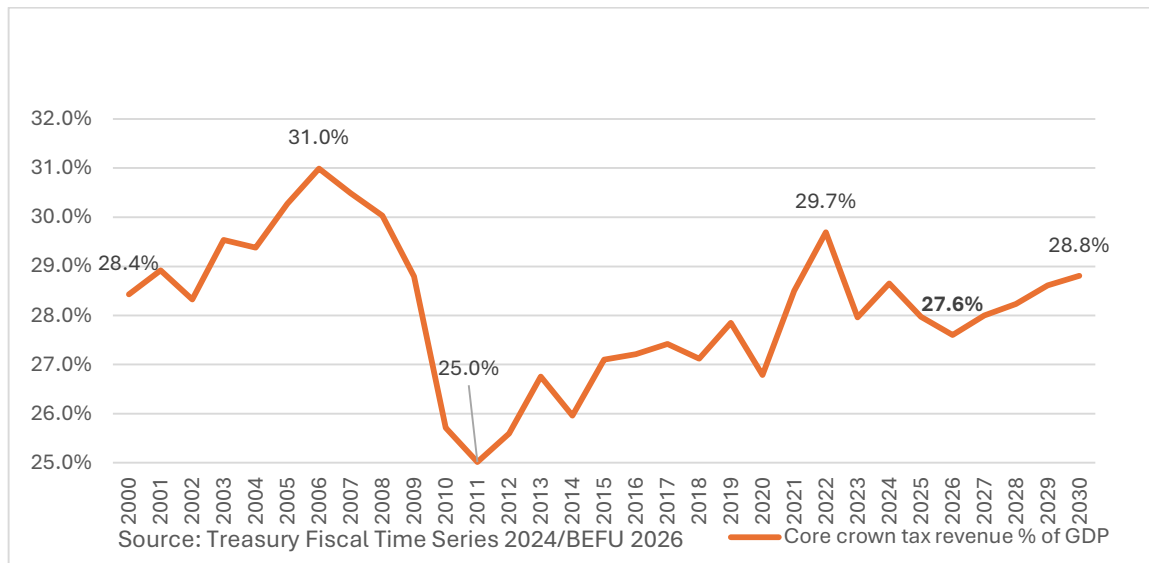
<sup>33</sup> Sum of differences between PREFU 2023 and BEFU 2023 for years 2025, 2025 and 2027.

**Figure 9 Forecast/Actual Crown tax revenue**



While there is expected to be a small increase over the next few years, the expected Tax-to-GDP ratio at 30 June 2026 is 27.6%, one of the lowest ratios in the last 5 years.

**Figure 10 Core crown tax revenue % of GDP**



And finally, it is worthwhile to look at the levels of taxation that comparable countries collect to fund public services. As we can see from the graph below, most countries in the OECD – and all of the 16 countries used in the health comparison except Australia – have much higher tax-to-GDP ratios than New Zealand.

**Figure 11 Comparative levels of taxation across OECD countries**



Source: OECD (2024)

Therefore, if we want greater spending on health and other public services, as a country, New Zealand must also collect more tax.

## Appendix<sup>34</sup>

### Hospital and Specialist Services – Budget 2026 breakdown

\$460 million to Hospital and Specialist services is made up as follows:<sup>35</sup>

			<b>\$m</b>
<b>Budget 2026 share of cost pressure funding</b>			<b>\$826</b>
<b>Additions</b>			
Health Digital Investment plan – transfer from Capital	\$100		
Paediatric palliative care	\$2.5		
3-day stay for postnatal care	\$1.5		
			<b>\$104</b>
<b>Reductions</b>			
Net reduction in cybersecurity		-\$10	
Budget 2024 subsidy for TWO deficit <sup>36</sup>		-\$200	
Budget 2024 funding for Collective agreement settlements		-\$115	
Transfer to Primary Health		--\$95	
Data and Digital time-limited funding not renewed		-\$42	
Other net reductions		-\$8	
			<b>-\$470</b>
<b>Net increase compared to 25/26 actuals</b>			<b>\$460</b>

<sup>34</sup> Numbers are rounded.

<sup>35</sup> While the reduction shown in Budget 2026 is approximately \$200 million, with the removal in the capital charge of \$660m, the better comparator is \$460 million.

<sup>36</sup> Budget 2024 funding transferred to Budget 2025.

## Primary, Community, Public and Population Health Services – Budget 2026 breakdown

			\$m
<b>Budget 2026 share of cost pressure funding</b>			<b>\$507</b>
<b>Additions</b>			
Transfer from Hospital and Specialist Services	\$95		
Increase to the travel allowance for caregivers	\$23		
Primary Care Tactical Action Plan transferred to 2026/27	\$28		
Lowering the age of bowel screening	\$12		
Additional funding for the ambulance service	\$5.5		
			<b>\$163.5</b>
<b>Reductions</b>			
Reduction in funding for Data and Digital		-\$28	
Funding from Breast Screening Aotearoa IT initiative not renewed		-\$9.5	
Time-limited funding for Mental Health and Addiction Community Fund not renewed		-\$7	
Other net reductions		-\$13	
			<b>-\$57.5</b>
<b>Net increase compared to 25/26 actuals</b>			<b>\$613</b>

## Hauora Māori Services – Budget 2026 breakdown

			\$m
<b>Budget 2026 share of cost pressure funding</b>			<b>\$37</b>
<b>Reductions</b>			
Time-limited funding for the Immunising Our Tamariki programme and other specific Māori Health programmes not renewed	-\$47		
Final year of support to Kahu Taurima, not renewed.	-\$1		
<b>Net decrease compared to 25/26 actuals</b>			<b>-\$11</b>

National Pharmaceuticals Purchasing (PHARMAC) – Budget 2026  
breakdown

			<b>\$m</b>
<b>Increase to purchase additional medicines</b>			<b>\$56</b>
<b>Reductions</b>			
Removal of time-limited funding to support the Budget 2025 transition to 12-month prescribing.	-\$10		
<b>Net increase compared to 25/26 actuals</b>			<b>-\$46</b>