ASMS

ASSOCIATION OF SALARIED MEDICAL SPECIALISTS

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Submission to the Finance and Expenditure Committee on the Budget Policy Statement 2019

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Introduction

The Association of Salaried Medical Specialists (ASMS) appreciates this opportunity to comment on the Government Budget Policy Statement for 2019. We welcome the move to include a 'Wellbeing Outlook' alongside the Economic and Fiscal Outlook. We agree that 'wellbeing belongs at the heart of policymaking'. Balancing wellbeing with economic factors is overdue.

This submission reflects one of our key policy roles of promoting policies which support the development and maintenance of a high quality public health service and a healthy population.

Background

The Association of Salaried Medical Specialists is the union and professional association of salaried senior doctors and dentists employed throughout New Zealand. We were formed in April 1989 to advocate and promote the common industrial and professional interests of our members and we now represent over 4,800 members, most of whom are employed by District Health Boards (DHBs) as medical and dental specialists, including physicians, surgeons, anaesthetists, psychiatrists, oncologists, radiologists, pathologists and paediatricians.

Over 90% of all DHB permanently employed senior doctors and dentists eligible to join the ASMS are in fact members. Although most of our members work in secondary and tertiary care (either as specialists or as non-vocationally registered doctors or dentists) in the public sector, a small but significant and growing number work in primary care and outside DHBs. These members, many of whom are general practitioners, are employed by the New Zealand Family Planning Association, ACC, hospices, community trusts, Iwi health authorities, union health centres and the New Zealand Blood Service.

The ASMS promotes improved health care for all New Zealanders and recognition of the professional skills and training of our members, and their important role in health care provision. We are committed to the establishment and maintenance of a high quality, professionally-led public health system throughout New Zealand.

The ASMS is an affiliate of the New Zealand Council of Trade Unions.

Budgets that support good public policy

We support the comments in Treasury's discussion papers on wellbeing that good public policy enhances the capacity of natural, social, human and financial and physical capital to improve wellbeing for New Zealanders and that this means the 'capital stocks': [1] [2] [3] [4]

- are sustained or enhanced, not eroded by current generations at the expense of future generations (sustainability)
- are shared equitably in a way that sustains or enhances the capitals (equity)
- allow for a cohesive society, where people and groups respect others' rights to live the kinds of lives they value (social cohesion)
- are resilient to major systemic risks (risk management), and
- generate material wellbeing (economic growth).

Government Budgets must support these principles for good public policy. With regards to how this may apply to improving New Zealanders' health and health care services, we draw attention here to two fundamental aims to which the 2019 Budget (and subsequent Budgets) can contribute:

- mitigating the causes of ill health
- improving the effectiveness and efficiency of the public health system so that good quality health care can be provided as it is needed.

We welcome the stated Budget priorities, including reducing child poverty, improving child wellbeing, supporting mental health wellbeing. Our major concern, however, is that the unnecessarily austere fiscal parameters the Government has set itself will not enable the degree of investment needed to make real progress in these areas. They will impede progress towards the stated aims of improving wellbeing overall and ultimately could become self-defeating.

We strongly agree with the Budget Policy Statement's acknowledgement that a wellbeing approach to developing Budget priorities will require "new ways of working and thinking about how we measure our success as a country and as a Government". The parameters dictated by the 'Budget Responsibility Rules' – reducing net core Crown debt by to 20% of gross domestic product (GDP) by 2022, and maintaining core Crown expenses at around 30% of GDP – reflect the conservative ways of thinking of previous governments which have led to the current social and environmental deficits.

The initial points of this submission concern the need for a genuinely new way of working and thinking which recognises the social and economic costs of a conservative investment approach.

New ways of thinking?

Prominent New Zealand economists have called on the Government to be much more ambitious in its spending on infrastructure and public services, given New Zealand's strong fiscal position and the significant deficit that has accumulated over years of funding constraint.

Economist Shamubeel Eaqub, one of the authors commissioned to undertake the Government's housing stocktake, believes Labour's conservative fiscal policy is "a fiscal straitjacket that was limiting its ability to truly address the housing crisis and the various problems of child poverty, child health, housing unaffordability and poor education that flowed from that."[5]

Berl chief economist Ganesh Nana says the Government should rethink the Budget Responsibility Rules. "The Government has chosen to restrict itself with its own debt targets in which in my opinion are too constraining… [It] could choose if it was courageous enough to borrow some more to actually make a significant difference to people's lives and to the hospitals and the schools that we face."[6]

A BERL analysis of the 2018 Budget adds: "this Coalition Government will find their ambitions for transformation and a 'productive, sustainable, inclusive economy' being well and truly pincered unless they modify their self-imposed Budget Responsibility Rules".[7]

Kiwibank chief economist Jarrod Kerr reinforces the message that New Zealand has ample room to lift debt and expand. Referring to the Government's expenditure and debt levels, he says, ``These are low numbers when compared to our foreign peers. And we are ranked among the safest countries in the world because of them.''[8]

Victoria University political analyst Bryce Edwards sums it up: "The Labour-led government has largely adopted the National Party's fiscal policies, embracing an austerity-style approach to spending. It means they can't afford to fund adequately housing, healthcare, workers in the state sector, and public infrastructure in general."[9]

Finance Minister Grant Robertson has justified the Government's conservative investment approach saying that balancing expenditure on public services and New Zealanders' wellbeing "against making sure we've got the money aside for a rainy day" is "the prudent and right thing to do".[10]

Our submission argues that for many New Zealanders it is already raining, it has been for a long time, and it is costing the country socially and economically.

Areas of relentless heavy rain: poverty

For the purposes of this submission our comments about mitigating the causes of ill health are confined to poverty but the principal arguments can be applied to other areas such as housing and education. We note, for example, that Shamubeel Eaqub and fellow authors of the Government's housing stocktake consider the Government's target of building 100,000 houses over the next decade is but a fraction of what is needed due to its self-imposed debt limit.[11]

The Government's target for reducing poverty is similarly constrained.

The United Nations International Children's Emergency Fund (UNICEF) summarises the incalculable inter-generational social and economic costs of poverty:

Those who grow up in poverty are more likely to have learning difficulties, to drop out of school, to resort to drugs, to commit crimes, to be out of work, to become pregnant at too early an age, and to live lives that perpetuate poverty and disadvantage into succeeding generations. In other words, many of the most serious problems facing today's advanced industrialised nations have roots in the denial and deprivation that mark the childhoods of so many of their future citizens.

\- UNICEF 2000[12]

The significant percentage of New Zealand children living in poverty in 2019 has come about despite New Zealand's economy (real gross domestic product per capita) having almost doubled since 1970. Treasury forecasts indicate continuing real-per-capita growth in the foreseeable future. Addressing child poverty is clearly not a matter of affordability but of political decisions. It poses a test both of a country's ideals and of its capacity to resolve many of its most intractable social problems.

In 2018 the Children's Sector Joint Submission on the Child Poverty Reduction Bill, supported by 37 New Zealand organisations,[13] recommended: "Actions under the Child Wellbeing Strategy to reduce child poverty and improve the wellbeing of children should align public policies and social service delivery with children's rights so that *all children and young people* (our emphasis), at all stages of their childhood and adolescence, have access to and equitable outcomes from:

a. sufficient income and an adequate standard of living;
b. quality housing;
c. free quality public education;
d. good health, including nutritious food, and quality healthcare when needed; and
e. timely, flexible and integrated social support services when they need them."

We believe these are reasonable goals for any developed country and the endorsement of these recommendations by 37 mostly grassroots organisations suggest strong support by New Zealanders in general. Nevertheless they appear radical against the goals set by Government (eg, reducing the number of children in material hardship from 150,000 to 80,000 over 10 years).

Prime Minister Jacinda Ardern has reportedly acknowledged the self-imposed Budget Responsibility Rules prevent any further money being to put towards the campaign to reduce child poverty and justified sticking to such a conservative policy by saying "New Zealanders expect us to keep our books in order."[14]

Bearing in mind that 'our books' now include measures of wellbeing to balance economic indicators, and recognising that in the words of Kiwibank's chief economist the latter put New Zealand "among the safest countries in the world", it is worth noting what 'our books' say about the former.

In an overall measure of child wellbeing, UNICEF has placed New Zealand 34th out of 41 developed countries (Table 1). New Zealand's worst results are in the category of 'health and wellbeing' which includes indicators such as neonatal mortality, suicide, mental health, and nutrition. New Zealand may have been placed lower still but for the fact that our high child obesity rates (32% of 2-14-year-olds are overweight or obese) were not included in the UNICEF measurement because specific data requirements could not be met. Nor do the UNICEF health indicators drill down to the incidence of diseases often associated with poverty, such as meningococcal disease, rheumatic fever, whooping cough, pneumonia, bronchiectasis or serious skin infections.

Table 1: New Zealand rankings in child wellbeing goals

Goal	Ranking out of 41 countries
End hunger - 18th	18
Ensure health and wellbeing	38
Ensure quality education	15
Promote decent work and economic growth	34
Reduce inequalities	26
Make cities safe and sustainable	9
Ensure sustainable production and consumption	35
Promote peace, justice and strong institutions	33
End poverty	Insufficient data for a ranking
Overall ranking	34

Source: UNICEF 2017

A separate comparison of child health indicators across 15 countries, including New Zealand, found:

- New Zealand's mortality rates per 1,000 live births for children aged 1-4 years was the second highest (behind the United States).
- New Zealand's mortality rates for all cancers in children aged under 5 was second highest (behind Greece).
- New Zealand's death rate due to external causes of injury and poisoning for children under 5 was second highest (behind the United States). Public health campaigns including home safety and road safety were credited with the relatively positive results in other countries, nine of which had rates less than half that of New Zealand's.
- New Zealand's under-18 obesity rates were the third highest behind Greece and the United States.[15]

New Zealand ranked well in just two indicators, where we were third-lowest in stillbirth and low birth-weight rates.

Ministry of Health data show poverty and its flow-on effects have a significant influence on the likelihood of potentially preventable child hospitalisation, which increases progressively from deciles 1 through to decile 10. The data show that if all these potentially avoidable hospitalisations (including emergency department cases) were at the same rate as those in deciles 1 and 2, hospitalisations for young children would be more than halved overall. The greatest decrease would be for those children in deciles 9 and 10, with hospitalisations reduced by more than 70%.[16]

Our members are seeing the chilling effects of these statistics every day, some of which are recounted in the ASMS quarterly journal, *The Specialist* (pp 221-23, July 2018) https://www.asms.org.nz/wp-content/uploads/2018/07/11950-The-Specialist-Issue-115-WEB.pdf

Poverty in New Zealand is avoidable.

Areas of relentless heavy rain: an under-funded health system

We know the Government is well aware of the extent of under-funding of the public health system, and the consequences, including many issues highlighted by the Labour Opposition prior to the 2016 General Election, such as:

- excessive waits for elective surgery
- excessive waits for first specialist appointments
- rising unmet health need
- thousands of patients being denied hospital treatment because of inadequate resources
- increasing DHB deficits ($119 million in 2015/16; $240 million in 2017/18)
- lack of funding for vital equipment such as MRI scanners.
- Over-stretched emergency departments
- heavy workloads for staff leading to huge backlogs of untaken leave and compromised safety.

Linked to all of these issues and more was a report by Infometrics, commissioned by Labour, showing core crown health funding had been cut by $1.7 billion between 20109/10 and 2014/15.[17]

Since then, the accumulated funding shortfall has grown so that will need to find an estimated $2.5 billion additional funding for 2019/20 to restore the value of funding to 2009/10 levels.[18] While the 2018 Budget ended successive years of real cuts, it did little towards restoring funding to earlier levels. The budget operating allowance of $2.4 billion for all government spending, compared with $2.85 billion in 2018/19, suggests additional funding for Vote Health may, at best, only maintain the status quo in real terms. But even that would require a substantial amount of the total operating allowance to be allocated to Vote Health, especially considering the costs of covering pay settlements for a wide range of occupations. (We note also that almost all DHBs are reported to be heading for deficits in this financial year and that the Health Minister's response is to suggest DHBs simply need to be more efficient, mirroring the response of the previous Health Minister, which was rightly criticised by Labour while in Opposition.)

Consequently, the issues identified as in need for urgent attention by the Labour Opposition in 2015 and 2016 have not improved. If up-to-date data were available, we believe they would almost certainly show further deterioration in every case. That is the clear message we are receiving from our members.

Heavy workloads, the main factor behind research findings of a 50% burnout rate among senior doctors in 2016, remain unaddressed.[19] DHB heads of department surveyed in seven DHBs indicate that on average they need about 20% more senior medical staff to provide safe, quality and timely health care.[20]

Senior doctor shortages have also contributed to a growing unmet health need, and even those who qualify for treatment above financially driven thresholds often face delays before they receive it. Commonwealth Fund studies of the performance of health systems in 11 comparable countries place New Zealand ranked 7th for emergency department waiting times, 9th for waits for treatment after diagnosis, 9th for waits for elective surgery, and 10th-equal for access to diagnostic tests (eg, CT, MRI scans etc). On a measure of mortality amenable to health care - that is, deaths that could have been prevented with timely care - New Zealand was placed 10th.[21]

While the health of New Zealand's finances is said to be among the best in the world, the same cannot be said for the health of the New Zealand population, as shown in a list of common indicators in Table 1. The Budget Policy Statement's says that: "A wellbeing approach is about ensuring the broad range of factors that matter to New Zealanders are central to the Government's definition of success and drive our decision making." We doubt there is any factor that matters more to New Zealanders than their health. How the financial/wellbeing books are balanced needs to reflect this.

Table 1: Health Status Indicators – OECD countries, 2015 or nearest year

Health indicators	**NZ position of 35 OECD countries (1 being best)**
Life expectancy at birth	23rd
Premature mortality	26th (females) 19th (males)
Mortality from ischemic heart disease	26th
Mortality from stroke	23rd
Mortality from all cancers	27th (females) 14th (males)
Mortality from traffic accidents	26th
Suicide	22nd
Infant mortality	30th
Low birth weight	13th
Perceived health status	1st*
Incidence/prevalence (1 being lowest)	
Cancer incidence	23rd
Obesity prevalence (adults)	32nd
Obesity prevalence (children	22nd (out of 24 countries)
Diabetes prevalence (adults)	23rd
Type 1 diabetes incidence (children aged 0-14)	16th

*The OECD notes this result is not directly comparable with most other countries as there is an upward bias in New Zealand survey question.

Source: Health At A Glance 2017, OECD; OECD Health Statistics 2018

An economic case for investing in health

As well as the obvious benefits for wellbeing, government investment in health services – and in public services generally – has also been shown to have significant benefits to a country's economy through the creation of jobs and income. A major study covering 25 European Union countries from 1995 to 2010 evaluated the economic effects of different types of government spending by estimating 'fiscal multipliers' (the extra income generated in the economy for each dollar of government spending).[22] It found that the multiplier for total government spending was 1.61, ranging from -9.8 for defence to 4.3 for health. These differences appear to be explained by varying degrees of absorption of government spending into the domestic economy. Defence was linked to significantly greater trade deficits whereas health and education had no effect on trade deficits.

The study's authors say their results, together with other studies, corroborate existing evidence that historical prescriptions for austerity from international financial institutions have tended to *exacerbate* economic crises. Second, there is a widespread consensus that investment in health and education contribute to economic growth in the long term, by creating a healthier, better educated, and therefore a more productive labour force.

A study of high-income countries attributed some 30% of the growth in full income to declines in mortality. Another study estimated the monetary worth of recent increases in life expectancy in selected western European countries and showed that between 29% and 38% of notional GDP increases from 1970 to 2003 could be attributed to gains in life expectancy.[23]

Contrary to the common belief that major health advances are mostly the result of social, environmental and economic progress, recent studies indicate that around half the gains in life expectancy in recent decades stem from improved health care. Studies in OECD countries show that up to the age of 75 around 20% of male mortality and over 40% of female mortality may be averted by health care interventions.[24]

"Health expenditure through health systems and other sectors that impact on health can then be shown to achieve 'social productivity' many times greater than that associated with other forms of investment."

- World Health Organisation (Europe) Report[25]

The effects of not investing in health

Inadequate government spending on health means more health needs will have to be paid for privately, for those that can afford to, or remain unmet for those who cannot. Either way, the costs to the country will not be reduced; on the contrary, they are more likely to increase.

With respect to a greater use of the private sector, Treasury has acknowledged:

We do not currently see a clear case for moving away from a predominantly single-payer, tax-financed health system. Systems like ours are typically better at containing health spending and there is no one system that presents a clearly more efficient alternative.[26]

Countries with health systems that rely heavily on private health care not only tend to be big spenders but can undermine the effectiveness of the public system by drawing away scarce health resources. They also tend to benefit those who can afford to pay at the expense of those who cannot, leading to high health inequalities and high unmet need.[27] [28]

And international evidence shows the cost of unmet health need, both to the health system and the wider economy, can be considerably higher than providing timely treatment. Aside from the personal physical and social costs associated with unmet health needs, the scale of the hidden economic cost was indicated in a 2007 Canadian study, updating and expanding on an earlier study, concerning patients waiting for treatment longer than medically recommended for total joint replacement surgery, cataract surgery, coronary artery bypass graft (CABG) and MRI scans.[29]

The study, which took account of lost productivity, caregiver costs and additional costs borne by the health system, estimated a conservative cumulative economic cost of $14.8 billion to the Canadian economy. In other examples, timely cataract surgery has been found in a number of studies to reduce road accidents and hip fractures.

The scale of the economic costs of not investing in health are demonstrated in numerous cost-of-illness studies. One British study estimated the economic burden of coronary heart disease in Britain in 1999 was over seven billion pounds (almost 1% of Britain's GDP in that year). Only a quarter of that cost was for public health services, the rest – the less visible costs – were for informal care and lost productivity.[30]

While there appears to be a common perception among policy makers that containing cost equates to increasing efficiency. In many instances this is not the case. In complex systems such as health care services the most valuable innovations and improvements in practice come from 'front line' clinicians and can often lead to flow-on efficiencies well beyond their immediate application. That is why distributed clinical leadership has been recognised internationally as critical to meeting the growing pressures on health services. Distributed clinical leadership presents an opportunity to improve efficiency and effectiveness in the day-to-day running of our health services. It cannot happen, however, while hospital services are understaffed and senior doctors go to work exhausted. It is a missed opportunity to spend our scarce health dollars more cost-effectively.

Conclusion

The Government has rightly identified the need for a new approach to setting budgets, balancing wellbeing factors with economic factors, which requires a new way of thinking and working. However, the indications to date suggest a continuation of the old way of approaching budgets. Unless this changes, the Government's aspirations for improved wellbeing will not be realised; the ongoing social and economic costs that have accumulated over years of under-investment in public services will continue to mount.

Council of Trade Unions economist Bill Rosenberg sums it up well:

"Fiscal responsibility is much more than balancing the financial position of the Government. There is no point in having a balanced Budget in a society that is out of balance. The Government's objectives for the 2019 Budget include neglected social issues including mental health and child poverty. Unions congratulate the Government for actively choosing to improve outcomes for Māori and Pacific people, and moving towards an environmentally sustainable economy while supporting working people through the future of climate change, technology and globalisation. However, the allowance for new spending of $2.4 billion per year needs to be revised if real inroads are to be made."[31]

It appears the scale of the infrastructure, social and environmental deficits faced by the Government is much greater than it expected before being elected. We urge the Government to acknowledge this and do the right thing by slowing down the pace of debt reduction and doing much more to address today's 'rainy days'.

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