

PERFORMANCE IMPROVEMENT FRAMEWORK

Review for Manatū Hauora, the Ministry of Health

December 2017

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



New Zealand Government

Lead Reviewers' Acknowledgement

We undertook this PIF Review for the Ministry of Health in two phases. In 2016 we developed a draft Four-year Excellence Horizon for use by the new Executive Leadership Team at the Ministry as it embarked on significant organisational change and implementation of the New Zealand Health Strategy. We conducted the full PIF Review in 2017 when we also updated and confirmed the Four-year Excellence Horizon.

For both phases we interviewed Ministers, many Ministry staff, central agency officials, officials from other social sector agencies, stakeholders and representatives of health professionals and of customers of the New Zealand Health and Disability System. We thank them for sharing their insights about good work that is occurring, challenges facing the health system and the Ministry, and opportunities for the Ministry to improve its performance. We were impressed with the passion and commitment of staff and stakeholders to ensure all New Zealanders achieve excellent health and wellbeing.

We acknowledge the support of Helen Moody from State Services Commission and thank Ministry staff who provided logistical support for the many interviews and meetings. Potential conflicts of interest were managed appropriately.

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Agency's response

Introduction

The Ministry is grateful to the lead reviewers, and to all the external stakeholders and staff members who contributed to the review, for the guidance provided on how the Ministry can meet the challenge ahead of it.

We support the direction of travel the review has outlined for the Ministry's organisational improvement areas including leadership development and people capability, system performance management and relationships. We are committed to continuing our organisational development with insights from experts and our stakeholders, including those who presented in the review. It is pleasing to note that in the months since the PIF process began in 2016, the Ministry has progressed in a number of areas highlighted by the review as being of importance.

We are also pleased that the review recognises the Ministry's achievements in delivering on the Government's priorities and delivering value across our core business. For example, in setting a clear direction for our Health and Disability System to 2026 through the New Zealand Health Strategy and in the achievement of Better Public Services results. We clearly note the areas where the review has identified that significant progress can, and needs to be made and are committed to addressing them to ensure a strong, stable Ministry and health system.

Current context

Health systems across the globe are facing intense pressures for change stemming from rising costs, epidemiologic and demographic shifts, growing consumer expectations, new and disruptive technologies and increasing globalisation. The focus of that change is about people – the power of the person and their family/whānau to engage and participate in healthcare.

With this change comes opportunity, especially as technology is quickly changing what is possible in healthcare and is placing tools to enable greater participation in the hands of consumers. It is an opportunity to shift mind-sets toward wellbeing rather than health, to introduce greater convenience, flexibility, self-direction and personalised experiences. It is an opportunity to create an environment where one can choose a patient-provider relationship where he or she participates as an equal and responsible partner, equipped with the knowledge and tools to do so.

The Ministry recognises that many of our current systems of providing healthcare cannot deliver this radically different future of 'anywhere, anytime' care, and that we need to work with the sector to update traditional responses and practices.

We are committed to transforming our health system and know we need to keep lifting our own performance to lead this change. The Ministry embraces this performance challenge at the heart of the review. We will continue to invest in becoming a learning organisation that is able to adapt to the unpredictable at pace, and can help the sector do the same, recognising that there is a balance to be struck between making strategic changes to prepare the sector for the future and maintaining ongoing access to safe and improving services.

What we will do

Our focus will be on the following improvement areas:

- Better directing investment to address inequity and improve people's lives
- Transforming the Health and Disability System for future sustainability.

Better directing investment to address inequity and improve people's lives

One of our key challenges is to change our mind-set from illness to health and wellbeing. It is a big shift for many and it requires us to approach health and wellbeing by looking broadly across the whole of a person's life (**a life course approach**) and involving people and their family/whānau in directing the support they receive (**self-determination**).

A life course approach looks across an individual's, a cohort's or generational life experiences for insights into patterns of health and disease, while recognising that both past and present experiences are shaped by the wider social, economic and cultural context.

This approach helps identify chains of risk that can be broken and times of intervention that may be especially effective. Particularly during key life transitions (e.g. starting school, starting work and retirement), we need to provide not just safety nets but springboards, which can alter life course trajectories with significant and lasting implications for a person's subsequent health and wellbeing. There needs to be a continued emphasis on not just what the health system can do for individuals and communities, but what individuals and communities can do for themselves and those around them.

Self-determination is key to deriving the most benefit possible from the resources available to support people in leading their lives with as much independence and fulfilment as possible. Supports will have markedly different worth to different people depending on their values and circumstances.

Building our understanding of the effectiveness of our investments and impact on wider social outcomes will allow us to maximise the health sector's contribution to the overall wellbeing of individuals and family/whānau. To further build the evidence base about what works best we are:

- strengthening our measurement of return on investment, which will be used to better understand who is at risk of experiencing poor health outcomes and the relative value of health investments
- continuing to enhance our co-design and our analytical capability to improve understanding of health and social drivers and indicators, to enhance delivery of services and policy advice to the Government
- developing analytical and research networks across government, including with the Health Research Council and Statistics New Zealand to inform decision-making and prioritisation of investment programmes within health and at a cross-sectoral level.

Transforming the Health and Disability System for future sustainability

To support wellbeing effectively requires, in many cases, a range of social and economic services that are well integrated across organisational, sector, and other boundaries.

As the review identifies, the Ministry's challenge is to become more skilled and active in engaging with its partners, ranging from families and community groups, through to health practitioners, District Health Boards (DHBs) and other government agencies. We are also seeking to develop better communication with people to build our understanding of their needs and wishes, and to share more of our plans and priorities. We will work better with other sectors, organisations, and with people to design and provide the integrated interventions people need.

Stakeholder engagement and outreach is a priority for 2017 and the future. Key actions through which we are taking this issue forward are:

- increasing our engagement and taking a stronger leadership role across both the wider public and private sectors to develop shared understanding, commitment, and systems and processes to more effectively advise Ministers and address common challenges
- further engagement with users of the Health and Disability System, additional to existing mechanisms such as our New Zealand Health Strategy workshops, to grow our understanding of customer experiences, needs and visions for a collaborative health sector
- initiating increased regular structured engagement with DHB Chairs, Chief Executives, senior managers and clinical leaders to listen to their views and share what we have been doing
- investing in our communications platforms and channels so that we can communicate better how the Ministry operates and how we deliver value to New Zealanders, and be more responsive to public input via channels that the public want to communicate through.

The system also needs leaders beyond the Ministry who are receptive to innovation, and adept at building and maintaining partnerships and alliances. The Ministry's role is to provide some of that leadership, including to help develop, connect, and support clinical and non-clinical champions, throughout the system.

The environment in which these leaders work must support and incentivise them. To address this we are taking a number of steps.

We are developing, **a new approach to system performance** that has a strong outcomes focus, draws on a broad range of user experience results and supports innovation. In time, this framework will re-shape how we plan for the delivery of health services.

We agree with the reviewers' comments that more can be done to introduce technologies and integrated information systems that support **richer information sharing** for targeted customer-centred care and improved quality and safety. Our key action in this regard is the establishment of a national electronic health record, accessible through the patient portal network, health providers and mobile applications.

We also agree that **innovation readiness** is crucial if the health system is to achieve its potential and that further progress is required on this front. Rapid technological development and convergence will increasingly impact on the services we can deliver and the ways in which they are accessed and experienced. These developments offer tremendous opportunity to improve awareness and access, enhance quality, reduce costs in the health system and improve integration with the social and economic sectors. The very pace and depth of development means that they may bring change in a disruptive fashion.

Our efforts to ensure the Health and Disability System is ready for this challenge have seen a renewed focus on ensuring a strong, flexible and fit for purpose regulatory environment is developed, alongside good workforce support and development, assessment of investment strategies, and active environmental scanning and knowledge dissemination.

Conclusion

Implementing the above future-focused programme of work will require leadership from all quarters, led by a strong and high-performing Ministry. Leaders across the health system will need to determine how they can best play their part in improving performance, embracing technology and encouraging the delivery of customer-centred care. This will only be achieved through ongoing collaboration and a willingness to look outside the box and see the healthcare sector as a part of a much wider health and social system.

Recognition should be made of the ongoing committed efforts of the tens of thousands who work to keep the system functioning at the high level it is recognised for internationally. While the review largely focusses on areas for improvement and development, it is important that we do not lose sight of the dedication and investment by the wider workforce who support and improve the health and wellbeing of individuals across the country on a daily basis.

For the totality of the recommendations in this 2017 PIF review to be realised, we will need to continually examine whether important structural elements remain fit for purpose in incentivising performance and enabling faster responses to significant changes in the Health and Disability System, be they locally or globally influenced.

The review has helpfully described how the Ministry will look in the future. It is a picture that we are confident we are working towards with our programme of continuous improvement, and that this will be increasingly evident in our performance story and to all who come into contact with the Ministry and the health system, be they customers, clinicians, administrators or government.

Chai Chuah

Director-General of Health

Central agencies' overview

The Ministry of Health plays a vital role in the New Zealand Health and Disability System. It is the system leader on strategy, policy and performance. The system needs to be confident to look to the Ministry for leadership, and to support it, for the Ministry to fulfil its system leadership role.

This PIF Review highlights there are a number of challenges that the Ministry and its leadership team face. Of importance is how the leadership of the Ministry positions the organisation into the future, as it leads a transformation of the system in response to shifting customer demands for health and disability support services and driven by technological and demographic pressure.

Central agencies are committed to ensuring there is a strong, stable and high performing Ministry of Health leading the New Zealand Health and Disability System, providing high quality policy advice to the Government, and commissioning services through its strategic partners that improve the health and wellbeing of all New Zealanders.

The lead reviewers have set out an ambitious four year excellence horizon with the Ministry. Central agencies support this direction and the assessment of the Ministry's initial readiness to meet these goals. We will commit to working closely with the Ministry to build on the changes it is already making to lift its performance.

A critical focus for the Ministry is strengthening its relationships across the State sector and the Health and Disability System, engaging others in a manner that enlists their support to deliver on its health and wellbeing goals. This is no easy task and it is urgent. The devolved nature of the Health and Disability System means the performance challenge for the Ministry is to effect outcomes at numerous levels throughout the system when it does not hold all the levers to drive that performance.

Consequently, as the system leader, the Ministry must work effectively with District Health Boards and other Crown entities, such as the Accident Compensation Corporation and the Health Quality and Safety Commission, and support them to give effect to their own leadership roles if the overall performance of the system is to improve. As the Ministry repositions itself into a system leadership role it must redouble its efforts to engage across sectors and communicate clearly its priorities.

The Ministry is working to improve its engagement and partnerships across the Health and Disability System and government sector. Central agencies will support the Ministry to strengthen its key relationships and maintain the trust, confidence and respect of leaders and staff of those organisations.

The Ministry has committed to developing a new approach to health system performance that has a strong outcomes focus, draws on a broad range of user experience results and supports innovation. This approach will be driven from a deep knowledge about what works to improve health and wellbeing outcomes and reflect a people-powered health system. We will work with the Ministry to help it improve its performance, with a particular emphasis on effecting better health outcomes at the earliest possible point. This must be a matter of priority.

The Ministry has signalled it will better direct investment to address inequity in health outcomes and improve people’s lives. Central agencies will work with the Ministry to assist it to continue its co-design work with other government agencies and the Health and Disability System, grow its analytical capability, and improve its understanding of health and social drivers so it can enhance the quality of its policy advice and its commissioning of services. The Ministry has committed to working better with other sectors, organisations, and with people to design and provide the integrated interventions people need. Central agencies will support the Ministry to make this a priority.

As noted by the lead reviewers, where the Ministry has set clear and well-defined result areas across the system, significant and measurable gains have been made. Collectively these achievements demonstrate the power of effective system leadership and the commitment and hard work of tens of thousands of healthcare professionals. We acknowledge the lead reviewers’ view that the Ministry has made solid progress in delivering on Government priorities.

In embracing the performance challenge at the heart of this review the Ministry has identified two key areas for improvement, which we support.

To deliver on these, the central agencies will work with the Ministry to:

- ensure its governance tracks the actions it takes to achieve these goals
- provide regular feedback on the Ministry’s progress
- utilise the tools and resources available to us to support the leadership of the organisation to make improvements.

We agree with the lead reviewers’ observations that strong leadership, challenge, prioritisation and culture change will be required if the Ministry is to make the performance shift that is sought through this review.

As central agencies we commit to supporting the Ministry of Health to meet the high expectations that have been set for it to achieve its system leadership obligations.

Peter Hughes
State Services Commissioner

Gabriel Makhlouf
Secretary to the Treasury

Andrew Kibblewhite
Chief Executive,
Department of the Prime
Minister and Cabinet

Four-year Excellence Horizon

In undertaking this Performance Improvement Framework (PIF) Review the Lead Reviewers considered: “*What is the contribution that New Zealand needs from the Ministry of Health and, therefore, what is the performance challenge? And if the Ministry is to be successful at meeting the performance challenge, what would success look like in four years? And does the Ministry have the change capability to get there?*”

Introduction

The Ministry of Health (the Ministry) is a critical New Zealand government agency with overall responsibility for the management and development of New Zealand’s Health and Disability System. The Ministry’s Statement of Intent 2015-2019 identifies two high-level outcomes for the Ministry and the Health and Disability System that align with and contribute towards the Government’s strategic priorities:

- New Zealanders live longer, healthier and more independent lives
- The health system is cost-effective and supports a productive economy.

In 2015 the Ministry instigated a period of significant change. It led the Health Strategy Refresh, documented in *New Zealand Health Strategy – Future Direction* (Health Strategy). The Ministry also initiated a significant programme of organisational change in order to lead the transformation of the Health and Disability System envisaged by the Health Strategy.

The Health Strategy must be seen in the context of wider government priorities¹ and cross-government strategies². It outlines the high-level direction for New Zealand’s Health and Disability System to 2026. It lays out the challenges and opportunities the system faces, describes the desired future, including culture and values, and identifies five strategic themes for the changes that will take New Zealand towards this future. The strategic themes of the strategy are: people-powered; close to home; value and high performance; one team and smart system. To give effect to the Health Strategy areas for action over the next five years are set out in *New Zealand Health Strategy: Roadmap of Actions 2016* (Roadmap).

The New Zealand Health and Disability System, though small by international standards, is complex. The nature of stakeholders varies hugely and includes other government entities (e.g. Accident Compensation Corporation, Health Quality and Safety Commission, Pharmaceutical Management Agency (PHARMAC), DHBs), a wide spectrum of health and disability service delivery organisations – from public and private hospitals to consulting and primary care practices and not-for-profit organisations, professional colleges, training universities and research organisations. The system is powered by a large, diverse workforce with specialists in clinical, support and administrative services.

¹ Delivering Better Public Services; Responsibly Managing the Government’s Finances; Rebuilding Christchurch; and Building a More Competitive and Productive Economy.

² Whānau Ora; Children’s Action Plan; Action Plan on Household Crowding to Reduce Rheumatic Fever; Prime Minister’s Youth Mental Health Project; New Zealand Disability Strategy and Healthy Ageing Strategy.

The system operates through a largely devolved commissioning model with twenty DHBs funded from Vote Health to undertake much of the service commissioning responsibility for their local populations.

Our health system is comparable to those of other OECD countries in terms of fiscal cost and a number of key indicators of overall performance, although there is evidence of ethnic disparities in health outcomes³.

Environment

The global context

International trends indicate that consumers are increasingly expecting to play a more active role in the decision-making surrounding their personal health and wellbeing. Consumers' access to online health information and advice is raising their awareness and expectation of choice in the management of personal health. Consumers have changing expectations of health systems and the quality of outcomes and they are questioning the appropriateness and adequacy of traditional models of care.

In addition, web-based technologies and mobile devices for assessment, diagnosis and delivery of healthcare are developing rapidly. A growing number of consumers are prepared to self-diagnose and self-manage their health.

Public health funders and healthcare providers in some countries are well-advanced in their use of population-based health data (big data) to identify trends, key determinants and indicators of health and wellbeing in their respective populations. This includes identification of environmental impacts and mitigations which will drive changes to policy and service design and delivery. In addition, advances in research, technology and associated innovation, particularly in the areas of nanotechnology and genomics, will offer a step change in detection, diagnosis and treatment for many conditions. These analytical, technological and research advances will impact on clinical practice, on health systems and on wider social service settings.

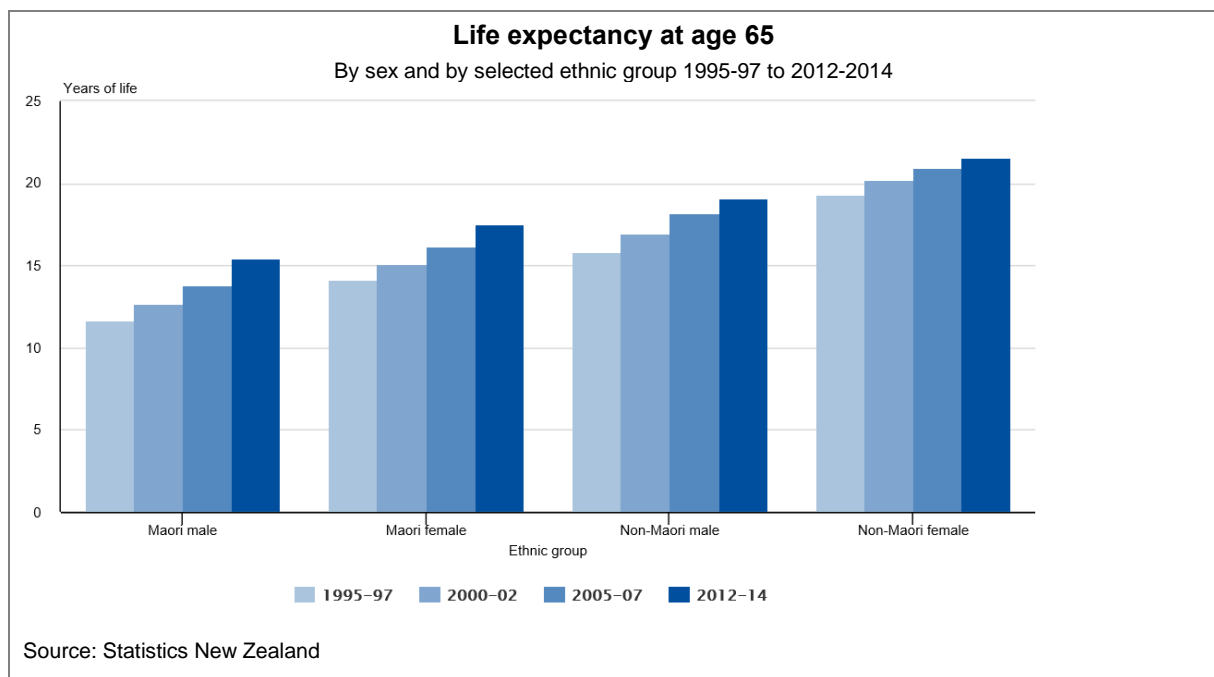
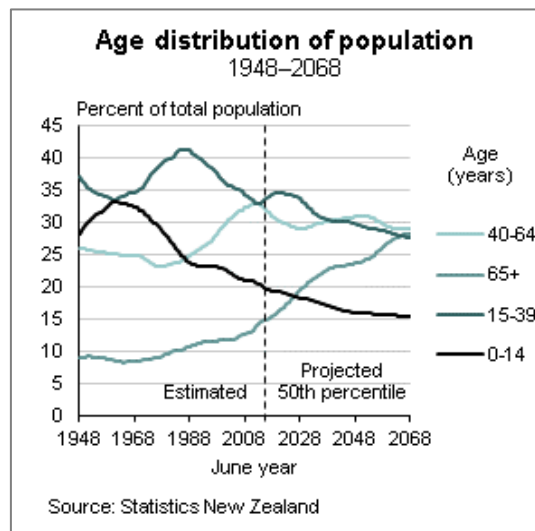
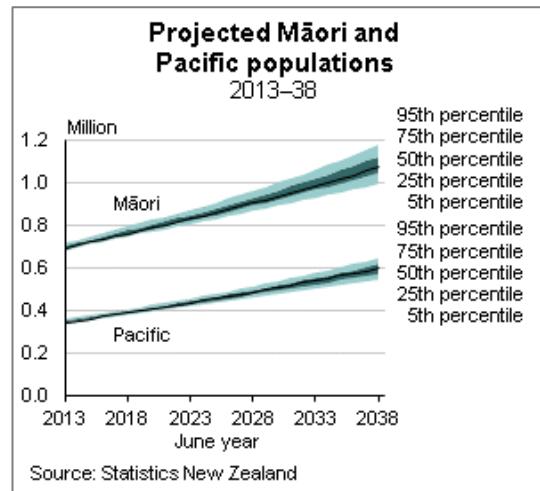
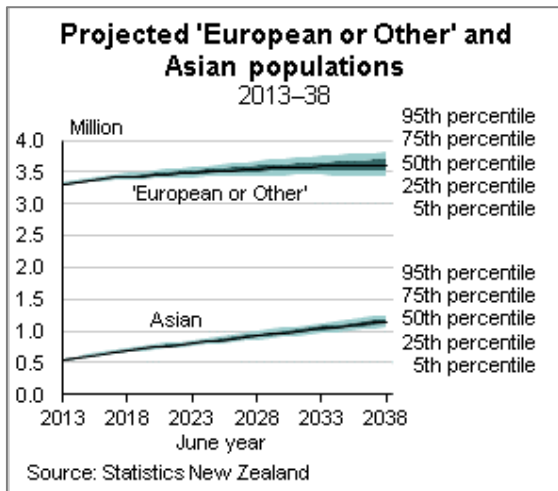
New Zealand's changing demographic

The demographics for New Zealand will continue to change over the next 20 years and beyond, with population increases particularly in older age groups and in those with mental health conditions and physical disabilities. There is also an increasingly diverse ethnic mix.

The changing nature of our society means the health and wellbeing needs of New Zealanders are increasingly complex. For many of our most vulnerable populations, the health and wellbeing outcomes are either remaining static or declining and inequities in outcomes are increasing across the New Zealand populations. These changes and inequities are a significant challenge if we are to have an affordable, effective and sustainable health system for the future. Selected demographic and health statistics are on the next two pages.

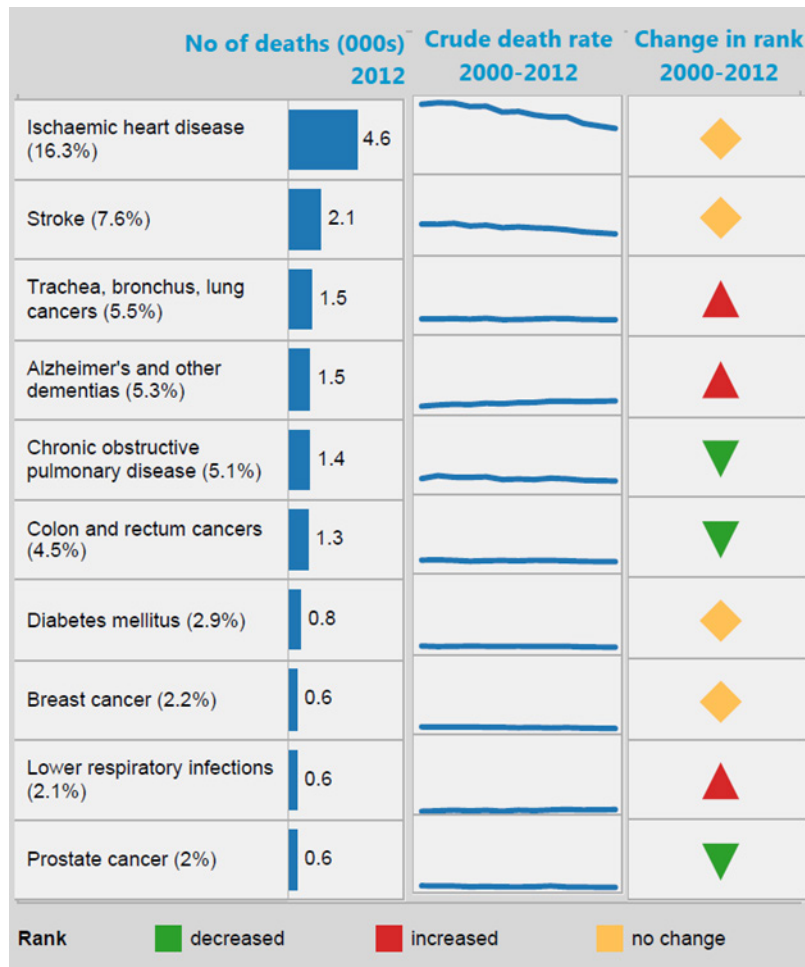
³ Excerpt from The Treasury's Briefing to Incoming Minister of Health 2014.

New Zealand: Selected population statistics and projects

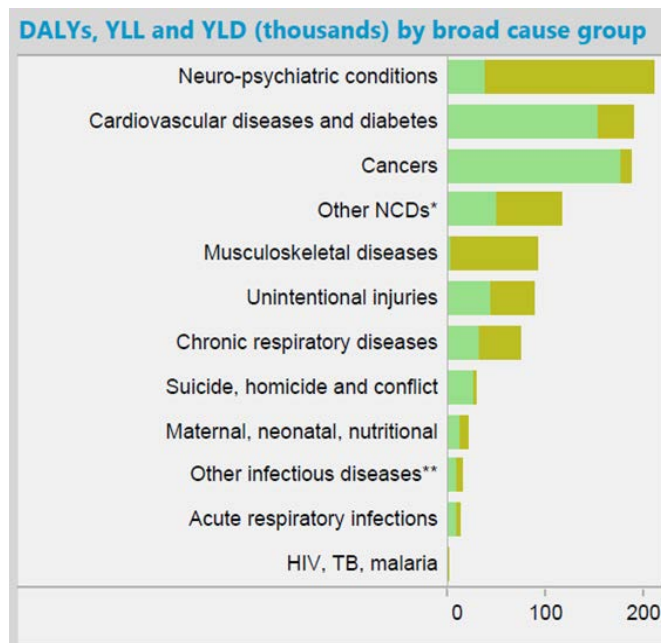


New Zealand: World Health Organisation statistical profile

Top 10 causes of death



Burden of disease, 2012



Disability-adjusted life years (DALYs) are the sum of years of life lost due to premature mortality (YLL) and years of healthy life lost due to disability (YLD)



The New Zealand Health and Disability System

New Zealand has high-quality health and disability support providers employing a skilled and motivated health workforce. In general, customers experience good outcomes and good care from providers of health and disability support services in New Zealand with over 80% of adults reporting they are satisfied with their care (Ministry of Health, Patient Experience 2011/12). However traditional service delivery modes, professional boundaries and teaching models risk undermining better outcomes if they do not evolve to meet changing customer needs and expectations.

The service commissioning model operated by the Ministry is largely focused on annual purchasing of an agreed level of health and disability support services underpinned by a population-based, regionally-focused funding model. This approach with its associated incentives encourages fragmentation, competition between providers, duplication of activity and variable performance by key organisations. There is little focus on the effectiveness of services or health outcomes achieved. This results in a lack of investment to identify early, and address, poor lifetime health outcomes for vulnerable populations or issues such as obesity. Innovation is stifled or is poorly disseminated. In general, there is limited use of technologies and integrated information systems to enable innovative customer-centred models of care.

New Zealand is small enough to overcome the system inefficiencies that lead to higher health and disability support costs, sub-optimal and disparate outcomes and lack of transparency for customers. There are considerable opportunities to deliver marked improvements in health and wellbeing outcomes for New Zealanders while moving to a fiscally sustainable health system.

Performance challenge

Performance challenge – outcomes

The devolved nature of the New Zealand Health and Disability System means the performance challenge for the Ministry is to effect outcomes at numerous levels throughout the system. The outcomes are described under the following headings:

- Delivering improved health outcomes for New Zealanders
- Health and Disability System performance outcomes.

Delivering improved health outcomes for New Zealanders

There are many complex factors that contribute to the health and wellbeing outcomes of individual New Zealanders, including the environmental factors noted above. Many New Zealanders maintain reasonable health and have limited, episodic interactions with the health system and other social services. For them, traditional, often siloed service delivery by agencies and providers has been adequate, though inefficient. The inefficient delivery for each consumer leads to higher costs at a system level and, for those with more complex health needs can lead to sub-optimal outcomes.

For more vulnerable and disadvantaged communities and individuals this siloed service delivery is simply not working. The Ministry understands that the health sector alone cannot address the complex needs of these more disadvantaged populations. Government and health sector partners need to develop inter- and intra-sector responses to these complex needs.

To achieve on-going measurable improvements in health and wellbeing outcomes for all, critical components are:

▶ **Empowered customers**

New Zealanders need improved access to current, relevant, evidence-based information that supports them to make informed choices for their health and wellbeing and for the wellbeing of their family and community. This will help individuals to contribute to their own and others' improved life outcomes.

▶ **Responsive, customer-focused providers**

Service delivery will become more customer-centric. Current provider-centric models need to be re-oriented to how customers want and need to access health and wellbeing services.

▶ **Equity of access to healthcare and wellbeing support**

Some groups in New Zealand experience poorer health and wellbeing outcomes compared to others. Maori and Pacific life expectancy and health outcomes remain lower than for other groups. People with mental health conditions and physical disabilities also experience generally poorer life and health outcomes. The Health and Disability System needs to prioritise developing and funding new approaches, investing early in better life and health outcomes for disadvantaged and vulnerable groups.

Early indicators of improvement must be understood, defined and monitored, as some inequities in outcomes will require sustained inter-generational effort to fix.

► **Better integration of social and health services to deliver more effective customer-centred care**

The critical challenge for the Ministry is to work with its health and social sector partners to create innovative, evidence-based policy responses. Recognising that the Ministry works through a distributed system, it must apply its levers to incentivise and empower the health and disability support sector to design and deliver seamless, accessible service that works across government portfolio boundaries to achieve agreed outcomes.

Health and Disability System performance outcomes

Agreed performance outcomes

The Ministry needs to agree performance outcomes with all entities that receive Vote Health funding that align with, and are designed to achieve, agreed customer outcomes. The Ministry is responsible for ensuring the future Health and Disability System is sustainable, providing high-quality services in a timely and accessible manner, while operating efficiently and responsibly.

Commissioning for system performance

The Ministry must develop a clear understanding of New Zealanders' expectations for their healthcare and promote that in a way that supports and empowers communities. The performance challenge for the Ministry in achieving a sustainable, high-quality, responsive system is to devise a commissioning framework that is sufficiently permissive and yet robust to support innovation and collaboration.

The Ministry, through its commissioning work, must communicate clearly and monitor for those expectations and outcomes being sought, incentivise and reward good performance and actively address poor performance in the system. It must be clear to the health system what does and does not represent 'best practice'. It must hold active views on performance and capabilities of its key partners and make deliberate, informed commissioning decisions.

The Ministry must work to address negative behaviours and drive system efficiencies through encouraging greater collaboration and sharing of innovation.

The Ministry must redevelop its funding approach to better align with local, regional and national needs, respecting that New Zealanders are a mobile population and putting in place mechanisms that ensure that irrespective of location, New Zealanders experience equity in healthcare access and outcomes.

Performance challenge – agency

The Ministry's performance challenge is to use its stewardship role to lead the Health and Disability System to improve lifetime health and wellbeing of all New Zealanders.

Given current disparities in health outcomes and wellbeing, the specific performance challenge faced by the Ministry is to improve access to services, improve life outcomes for 0-25 and over 65 year olds and achieve equitable outcomes across all ethnicities and regions.

Reflecting this performance challenge, the Ministry consulted on the Health Strategy, which was launched in April 2016, with its vision stated as: "All New Zealanders Live Well, Stay Well, Get Well". At the same time it initiated a transformation programme called *Ministry on the Move*, designed to position the Ministry to deliver the new Health Strategy.

The Health Strategy is well-known within the Ministry and amongst partners and stakeholders. High-level actions in the Roadmap have been allocated to Executive Leadership Team (ELT) members across the Ministry.

The requirements to implement the Health Strategy, including funding, policy and regulatory levers, are unknown. Full business cases setting out the detailed design, costs, benefits and implementation requirements have not yet been undertaken. There is not sufficient specificity to allow the Ministry or the Health and Disability System to:

- be confident it will be implemented
- differentiate, prioritise and focus effort
- understand how the system will get there and what specifically will be different in the future.

While the wider system was cautiously optimistic about the direction the Ministry signalled in 2016, interviewees spoken to in early 2017 indicated confidence that the Ministry has the capability to implement the Health Strategy had diminished subsequently. The system now needs the Ministry to deliver on its commitment to re-establish the Ministry's role as the leader of health system strategy, policy and performance. No agency other than the Ministry can fulfil this leadership role.

In transforming the Ministry and the Health and Disability System, the Ministry faces critical organisational performance challenges due to the need to:

- build a strong performance story on which to anchor detailed design, using the voice of the customer and system analytics on what drives performance and costs in the system. This will be aided by taking a social investment approach to ensure the right level of investment in better health outcomes occurs at the earliest possible point
- gain momentum and demonstrate leadership of the system
- reach out to Health and Disability System stakeholders and social sector agencies to develop trusted, confident business partnerships that are focused on achieving agreed outcomes
- proficiently deliver core business and a portfolio of game-changing initiatives
- stabilise the Ministry, securing essential institutional knowledge and attracting new skills to deliver future capability that is critical to success

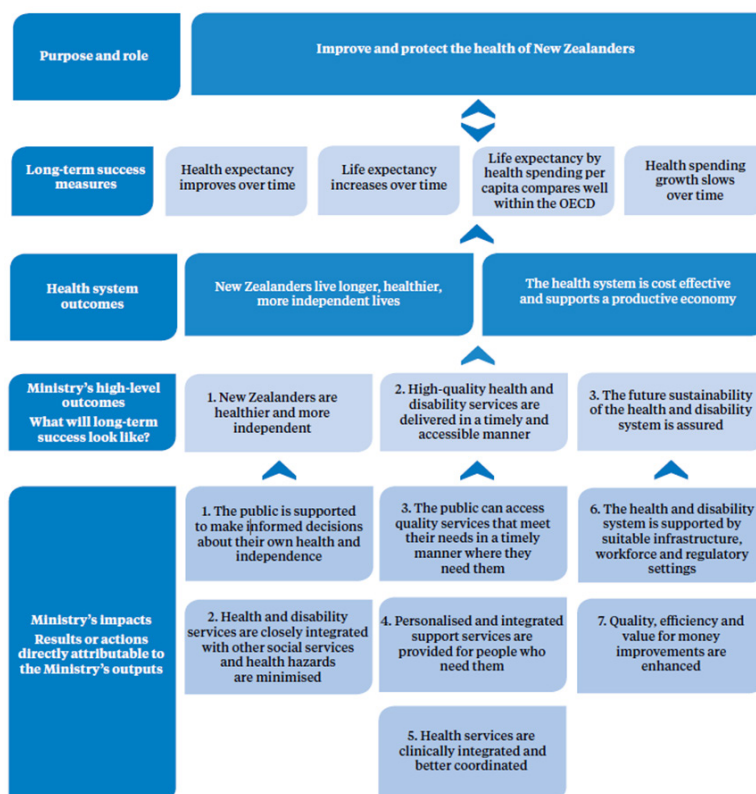
- strictly prioritise and implement strategic initiatives and key enablers to underpin the future strategy and operating model of the Ministry
- demonstrate and drive cultural change to support development of: influencing capability; mutually beneficial partnerships within the health and social sectors and cross-functional teams to address programmes of work
- confirm areas that are not the purpose, role and responsibility of the Ministry and will be exited and/or devolved to others
- shift focus from contract management and compliance activities to a customer-centred, social investment approach delivered with its enlisted partners across the health and social sectors.

Each of these challenges is discussed more fully in the sections below.

Purpose, targets and business strategy

The Ministry has evolved its purpose statement, vision and business strategy during implementation of *Ministry on the Move*, its internal transformation programme. Its targets and business strategy, in particular, are very much a work in progress. The Ministry’s current Outcomes Framework, as set out in the Statement of Intent 2015-2019, is shown in the following diagram.

Ministry of Health Outcomes Framework



Source: Ministry of Health Statement of Intent 2015-2019, p.20.

More recently the Ministry has restated its purpose as: “To lead and shape the New Zealand Health and Disability System to deliver a healthy and independent future for all”.

The Ministry's vision is to be: "A trusted leader in health and wellbeing today and in the future" with its mission: "Lead, shape and deliver with people at the centre".

Aside from the Health Strategy there are a number of population and other health strategies⁴, government and ministerial priorities, as well as Crown entity monitoring and regulatory stewardship priorities.

The Ministry will need to clarify what it will do and in what sequence to deliver the goals the Government has articulated in the Health Strategy. The Ministry needs to think about this strategy in terms of both:

- building its potential comparative advantage by understanding its role in improving health, wellbeing, and the performance of the Health and Disability System. What does it mean to be a good steward of the system? What are the critical enablers to exemplary stewardship of the system?
- developing an action-oriented programme of core business initiatives and transformative initiatives that meet the criteria necessary to deliver the Health Strategy and then actively manage those initiatives as a portfolio.

The portfolio of initiatives needs to be deliberate and focused. While the Government has set a wide range of core business priorities that the Ministry is responding to, including implementing the Bowel Screening programme, in 2016/2017 the Ministry's six strategic priorities (four outwardly focused and two internally focused) were not sufficiently clear to be actionable at a business planning level. Without this clarity the Ministry will struggle to gain momentum. New initiatives will be wrapped around the existing work programme and the window of opportunity it has opened with key stakeholders and partners will be lost.

The business strategy needs to be driven from the Ministry's desired outcomes and its deep understanding of what drives value for customers, as well as a strong evidence base of what works and what drives costs in the system. With a clearer performance story, it could more readily answer the question: "What would the Ministry need to do to play its part in ensuring improved lifetime health outcomes are delivered?" That is likely to provide a clearer view of the gap between what current priorities will deliver and what the Ministry and system participants can best do to help meet desired goals.

While many factors will influence health and wellbeing outcomes, settings for government regulatory functions, ownership, funding and purchasing have a major role to play in aligning incentives to deliver the Health Strategy. The Ministry needs to continually test its policy settings against its desired outcomes to ensure it has the right portfolio of well-sequenced priorities and is able to free up resources from existing activity to discover and invest in new initiatives and exit activities that are not delivering value. Over time, that is likely to produce a more transformative portfolio of priorities defined and overseen by ELT. This portfolio of priorities will be distinct from the work programme managed by individual ELT members within their existing business units.

⁴ Including: Maori Health Strategy; Pathways to Pacific Health and Well-being; Health of Older People Strategy; Primary Health Care Strategy; and Rising to the Challenge: Mental Health and Addition Service Development Plan.

Targets are an important means to focus effort and gauge impact once the critical drivers of performance, costs and outcomes are understood. At present, targets are seldom set at an outcome level, though the System Level Measures developed to address specific local health issues for vulnerable populations may be a step in the right direction.

Many process and input measures and intermediate impact targets are in place reflecting the operable performance framework. A one-year view is taken to costs, benefits, budgets and investments, as compared to a lifetime view. There is a wealth of health data available, but the business analytics capability to fully interrogate it is limited. Based on this limited impact view it is difficult for the Ministry and system to tell a strong performance story to support an investment approach and understanding of key cost drivers and pressures.

The Ministry must be able to tell a convincing performance story built on the following:

- A clear voice of the customer, stakeholders, providers and staff in order to understand critical drivers of value from each of their perspectives
- A deep knowledge of the evidence base of what drives health and wellbeing outcomes and the costs and effectiveness of various health interventions
- Business analytics and insights to understand the drivers of system costs, pressures, incentives and behaviours and key levers to improve outcomes
- A lifetime benefit cost model to underpin a social investment view of health and wellbeing outcomes.

Therefore, a number of enablers are critical to building the Ministry's business strategy, reputation and credibility as stewards of the sector and system performance, including:

- information systems that allow interrogation of data and business intelligence
- new skills and capabilities to strengthen policy and regulatory teams' capability
- a willingness to get out to where health services are provided and gain first-hand knowledge of how the system actually works day-to-day to meet the needs of customers
- reengineering business processes and the Ministry's operating model to be customer-centred
- developing in-house business transformation expertise and support.

Operating model

In early 2016 the Ministry developed a high-level target operating model to give effect to the role it intends to play in the Health and Disability System. The key aspects are:

- National strategic leadership – The Ministry needs to focus on its national strategic leadership role. This will involve developing and resourcing new strategic and client-focused services that the Ministry is best placed to deliver on behalf of the Health and Disability System and exiting some services better delivered by others.
- New services – The Ministry will invest in providing new services to enhance its role as steward and drive a social investment approach in the Health and Disability System and it will need to engage and co-design with the system.
- Devolution of services – The Ministry must develop a devolution approach in order to exit areas that are not its core role and responsibility and establish performance measures for devolved services.

The Ministry's operating model needs to leverage its unique position as the Government's steward of the Health and Disability System to deliver best practice core activity and its portfolio of game-changing initiatives. The Ministry identified three strategic challenges that its operating model needs to meet:

- Fully exploit the scope for more integrated policies and services across the health system
- Lead the health and wellbeing effort across the State sector to achieve the Ministry's purpose
- Deliver better public services within a constrained fiscal environment.

Customer-centric design and delivery of services

The Ministry has indicated its intention to orient its operating model towards a customer-centric approach. At this stage it is missing a strong voice of the customer to anchor this and ensure its business processes are reengineered to be driven outside in, rather than inside out. Until this occurs, the Ministry is likely to find it difficult to transition from an operating model that is transactional, functions in silos and is driven by administrative imperatives.

Portfolio approach

The portfolio is the heart of the business strategy; how it is managed is a key element of the Ministry's operating model. The Ministry recognises the importance of having a portfolio approach and has started learning how to design and manage it. In doing so, ELT recognises it needs to fill in the gap between the longer-term and higher-level outcomes defined in the Outcomes Framework and the more immediate responses to government priorities and the demands of its core business. The ELT will need to pay particular attention to:

- identifying those initiatives that will have the biggest impact on outcomes and need to be directly overseen by ELT. This requires a well-developed view of where government intervention will add most value, where some investment is required to better understand the role government should play, and what needs to be elevated for more intensive ELT oversight. ELT needs to be able to assess the return from each element of the portfolio and, therefore, the level of investment each can justify. While this will never be a precise science, these judgements are being made implicitly and should be more explicit
- clearly sequencing activity across time, being clear about what is needed to deliver the required short-, medium- and longer-term payoffs
- being clear about where existing activity is being managed to improve efficiency and free up resources for re-investment, where investment in new initiatives is required and where the Ministry needs to create longer-term investment options
- engaging with those who could help define each element of the portfolio and whose active partnership will be needed to deliver the results. This requires more focus on a strategic, rather than transactional, engagement model with key stakeholders, including the relevant Crown entities
- managing the portfolio on a tight time cycle to ensure pace with regular, structured decision points that force a tighter focus as they develop, e.g., by applying and skilfully using an effective enterprise-level 90-day development cycle, and cascading down through the business units, as appropriate. This will ensure the Ministry moves quickly from high-level strategy to action-oriented implementation.

Prioritisation

Prioritisation is about ensuring the right activity is undertaken at the right time and managed to the right objective to deliver the overall outcomes in the desired timeframe. While the Ministry is keen to encourage innovation, it cannot afford for every team to be making changes that are not synchronised with what is happening elsewhere in the Ministry and the Health and Disability System.

The Ministry needs an operating style that is 'tight-loose-tight'. 'Setting the direction and leadership' (tight) is described as setting sharp, clear expectations, setting the risk appetite and the Ministry-wide strategy, targets, priorities and resource allocation. This is to be embodied in business plans, individual performance expectations and portfolio plans.

'Empowering and delivering' (loose) is to be delivered through deputy chief executives and general managers and their business groups and across the Ministry and stakeholder teams, utilising centres of excellence, regulatory, enforcement and Crown entity instruments and communities of practice.

'Assess and hold to account' (tight) is envisioned to happen at the individual and collective level, including through ELT performance management and oversight of the portfolio of key programmes. The key mechanisms to deliver this will be evaluation and review, monthly and quarterly reporting, half-yearly reporting to the Minister and staff performance reviews.

Importantly, the Ministry requires a life course mechanism to support the accountability that goes hand in hand with an investment approach to improving health and wellbeing outcomes. The Ministry will need to do more to implement the tight components to support this aspect of the operating model.

Partnerships

To be recognised as a trusted, confident, effective leader of the Health and Disability System the Ministry must build trusted, constructive partnerships with other State Services and health system stakeholders. It is only through these partnerships that it can achieve the outcomes it seeks.

Many of the Ministry's stakeholders have noted that the Ministry is aware of, and wanting to improve, its external relationships. That is a good start, but trust is earned through consistent, trustworthy behaviour: understanding what partners need; being clear about the contribution the Ministry will bring and delivering that value competently and reliably. This needs deliberate and early attention by the ELT who must lead and foster effective partnerships within and across teams in the Ministry as the springboard for developing the Ministry's partnerships across the system.

Key features of the operating model should include:

- The best practice core activity initiatives being driven off a shared understanding of new ways of collaborating with internal and external partners
- The portfolio being lifted out of the usual management line and new ways of operating being trialled. For example, a director could lead and manage each of the portfolio initiatives, reporting to an appropriate ELT member. Where appropriate a cross functional team, including external players, could be used to mobilise resources across the Ministry, the State sector and health system to deliver on individual initiatives or programmes of work in the portfolio. The aim is to mobilise resources and create a common language, fact base and agreed model of the way the Health and Disability System works so attention is focused on areas where critical judgments need to be made
- Leveraging the Ministry's system leadership role through strong relationships:
 - externally, to enlist the support of others in helping it achieve its health and wellbeing goals, including co-creating solutions
 - internally, across policy, purchasing and operational functions so that policy development is informed by operational 'know how' and requirements and implementation issues are recognised and addressed as they arise
- Building a culture, from the ground up, which supports the Ministry's way of working. Some of the cultural characteristics likely to be important include: being results driven and systematic in pursuit of its purpose; having a clear line of sight for each person between their work and its contribution to achieving the Ministry's purpose; being collaborative, open and curious; having an outward orientation that enlists external support to the Ministry's strategy with a well-integrated, internal 'one team' approach, and giving and taking the responsibility necessary to be innovative and responsive.

Implementation

The Ministry recognises that realising the Health Strategy requires fundamental shifts in the Health and Disability System, including shifting the balance from:

- ‘treatment’ to ‘prevention’ and support for independence
- a focus on the individual to a wider focus on the family and whanau
- service-centred delivery to people-centred services
- competition to trust, cohesion and collaboration
- working in fragmented health system silos to operating integrated social responses.

Assessment of the high-level target operating model identified by the Ministry suggests the degree of organisational change required ranges from moderate to substantial across the key layers of the operating model.

Specifically, the following layers were identified as requiring moderate change:

Target Operating Model Layer	Change required
Client	Client needs are understood through an advanced client function and analytics.
Organisation	Building capacity and capability within Client Insight and Analytics, Strategy and Policy and Technology & Digital Services to support the Ministry’s leadership role in the system.
Technology	Adopting technology that enables the Health Strategy, business strategy and operating model.
Providers (to the Ministry)	Aligning third party providers who provide goods and services to the Ministry to its business strategy and operating model.
Location	Establishing a physical footprint primarily driven by customer needs and services delivered.

The implications for other layers of the operating model to enable the key shifts required were identified as substantial:

Target Operating Model Layer	Change required
Services	Adding new services to concentrate on activity that drives social investment and outcomes, including services such as customer insights, data and analytics, integrated performance management and innovation management.
Channel	Basing channel offerings across the system on customer insights and preferences.
People	Developing system-facing skills, including to support social investment and the performance management system, value and culture, voice of employee and recruitment and retention strategies.
Processes	Ensuring end-to-end business processes are designed with the customer at the centre.
Information	Building a ‘single version of the truth’ regarding costs and performance as well as the information required for frontline and management decision-making.
Funding model	Developing sustainable funding models, including appropriations, levies and user fees that are aligned to, and incentivise behaviour consistent with, the Health Strategy.

Systematic, consistent approach to implementation

The Ministry can point to specific examples of competent implementation and change capability, but also instances where detailed design, planning and execution have fallen short. In the former, expected benefits have been exceeded, while in the latter they have not been realised. This is symptomatic of an implementation approach that is dependent on individuals rather than being systematised.

To achieve the scale of change inherent in the Ministry's target operating model and the Health Strategy, the Ministry will need to take a much more consistent and systematic approach to implementation of its strategic and operational priorities.

Maintaining momentum and focus – 90-day cycles

Because momentum is important and the Ministry is implementing a new and evolving operating model, there is merit in managing the portfolio through a series of action-oriented 90-day cycles, with clear milestones, quick feedback and maximum visibility across ELT. This would reinforce collective responsibility for managing, resourcing and landing results. This approach would also support a performance management system ELT could use to ensure the portfolio stays on track, resources are reallocated as necessary and issues are elevated for resolution in a timely way. ELT should ensure, as it is holding the organisation to account for the current 90-day cycle, that the development of the next 90-day cycle is also front-of-mind.

Critically, the Ministry must recognise that it has a limited window of opportunity to demonstrate it can lead the Health and Disability System. It must move quickly to identify strategic actionable priorities and demonstrate concerted and purposeful activity. It must be able to quickly demonstrate it is capable of driving change both internally and externally to gain and retain essential support from the stakeholders.

Skilled, resourced, dedicated transformation team

Transformation of the Ministry will be a multi-year project. It will take time to implement and refine its target operating model by completing the structural changes, embedding new ways of working and developing new processes, systems and services. It will also need to divest services that are no longer core business. It must complete this transformation at pace while also taking concrete, systematic steps to transform the Health and Disability System. The organisational transformation is a significant additional programme of work on top of its normal operational requirements and delivery of government priorities. Though the Ministry has a number of competent staff working on its internal transformation programme, *Ministry on the Move*, the current resources and capability allocated to do this are insufficient for the scale, scope and timing of the changes required.

The ELT needs an effective transformation team sitting alongside it to ensure it can deliver substantial changes at all levels of its operating model and most parts of the wider health system. It must use standard change management techniques to systematically manage the transformations and to enable clear prioritisation, sequencing, resourcing and delivery of initiatives. Without this, the Ministry could fail to shift from the very high-level activity, strategising and organising itself into a new structure, to on-the-ground prioritised action. The Ministry cannot risk this outcome, given the time taken to get to this point.

Organisational agility

The Ministry has had a high degree of internal change and uncertainty in recent years at a leadership, organisational and policy level. Turnover has been high and at times the Ministry has struggled to recruit required capability, often using external advisors and consultants to fill the gaps. There is little doubt this has impacted on the organisation's agility and cohesion. As a consequence, some parts of the Ministry have retreated to focus on those things that can be directly controlled. This pattern of behaviour must be unlocked.

There is a high degree of willingness and desire from staff and frontline managers to find a more constructive way of working in the Ministry and they are keen to have clarity as to where to focus their efforts. In this respect the Ministry does have a degree of resilience and openness to change. The ELT needs to capitalise on this goodwill and allow frontrunners of the new strategy and operating model to come forward and be involved actively in moving from strategising to action. It is critical that the Ministry begins working internally in a manner that is consistent with the way it expects the system to behave. At the moment there are too many inconsistent messages about the way things are done at the Ministry.

In order to achieve the required organisational agility, the Ministry will need:

- strong collective leadership focused on gaining and sustaining momentum on critical game-changing initiatives
- a period of organisational and strategy stability built on institutional knowledge and new capability
- engaging the Ministry staff in co-creating the Ministry's new way of working
- data insights and business analytics to focus on key drivers of improved health outcomes for customers and New Zealanders and of system and organisational performance
- strong cross-functional programmes and teams drawing in operational, purchasing, regulatory and policy capability, as well as external partners, to co-create game-changing initiatives
- a collaborative and open culture
- clear internal accountability and feedback loops, including sharing and applying lessons learnt.

What will success look like?

This section describes what the Ministry will look like in a future state when it has successfully transformed itself in accordance with *Ministry on the Move*, the Health Strategy and this Four-year Excellence Horizon. If the Ministry successfully implements the above, it is reasonable to anticipate the organisation will reflect the following picture of success.

The Ministry of Health

The Ministry's decisive, focused implementation of its own programme of transformation is widely regarded as highly successful. Its clarity of role and strategy will have assisted it to achieve demonstrable progress in reorienting itself and its relationships with the wider health sector to deliver against the Health Strategy. Having worked through some of the initial challenges, the clarity of its focus allowed its implementation to gain momentum quickly, gathering considerable traction both internally and beyond. It is widely respected by agency colleagues and other stakeholders for the deeply embedded nature of the change and for the outcomes achieved.

The voice of the customer has been incorporated in the development of policy and strategy and the Ministry has implemented a social investment approach, allowing lifetime costs and outcomes to be identified, pursued and measured. Resulting from its successful transformation, compelling performance story and robust evidence-based policy and investment advice, the Ministry has been successful in securing investment by Government to deliver medium-and long-term health and wellbeing gains for individuals and New Zealand as a whole. This is underpinned by an improved Investor Confidence Rating due to the quality of its internal governance, operational performance, strategic financial management, and deep understanding of performance drivers and enablers in the Health and Disability System.

The Ministry's ability to define and proactively target solutions and focus investment in ways that clearly translate into value for New Zealand is becoming well-established. Quantifiable outcomes can be demonstrated. Its clarity of purpose, deep understanding of customer insights and preferences coupled with its strong evidenced-based analytics are valued by its health and social sector partners as a powerful basis for the design of innovation in the system.

The way in which it has streamlined and focused its portfolio to address the drivers of value for New Zealanders and the measurable impact this has had on improving the health outcomes for customers is drawing considerable attention across the New Zealand government sector and internationally.

Its reputation as a high-performing agency is attracting the highest quality candidates for all roles, as the Ministry is seen as a critical training ground for excellence in public service leadership, policy and management in the New Zealand context. Ministry people stand out for their intelligent, collaborative, systems-thinking approach and for their in-depth understanding of the value the Ministry contributes to New Zealand. One of the secrets of the Ministry's success is that its people are proud of where they work and every Ministry person can clearly articulate how they are contributing to better health and wellbeing outcomes for New Zealanders in the context of their role and their organisation. Ministry people are key influencers in the State sector and the Ministry is seen as a valued partner across the Health and Disability System and social sector.

The newly implemented information technology framework that enables real-time, efficient, secure access to individual and population-based data is informing the Ministry's policy and strategy in ways not previously experienced, resulting in increased confidence for its customers, provider partners and Ministers.

Having tackled some of the hard performance challenges, the Ministry is further refining its proactive approach to working with its health and social system partners to ensure a more sustainable and future-proofed Health and Disability System.

...flow-through to Health and Disability System partners

Improved clarity around roles and responsibilities, a more responsive funding model and shared language around performance, led by the Ministry, are encouraging DHBs and service providers to work in a more integrated and collaborative manner. This is delivering benefits to customers and the Health and Disability System.

The smart use of data and health informatics by the Ministry is supporting clinicians and health professionals to trial and share innovations in service delivery. This, coupled with an in-depth understanding of the health workforce both current and in training/education, is shaping the education and in-service training requirements, so that capability within the sector can grow and be used optimally in ways that are safe and rewarding for the customer and the health professional.

Integrated and mobile technologies ensure that healthcare professionals who need access to an individual's health information are able to access it anytime, anywhere, anyhow, to make better-informed decisions and more accurate, faster handovers to other health professionals to support improved outcomes for the individual.

The Health and Disability System is achieving efficiencies by working in clusters or groupings of common interest. There has been a re-balancing of health investment towards preventative and primary healthcare interventions with early indications of a corresponding decline in demand for secondary and tertiary services. This has resulted in progress towards greater levels of financial sustainability and improved outcomes.

...and for the customer

After four years of active health system transformation, New Zealanders are experiencing a change in the way they understand and access health and disability support services. Individuals' health information is readily available to them (and their provider) as and when they need it. They have a greater appreciation of, and more involvement in decision-making about, their own healthcare. They are receiving more transparent and timely information either directly from the Ministry or via their provider, on healthcare matters, delivered in ways that respond to their personal preferences and needs.

At a population level, significant measurable progress has been made towards the health and wellbeing priority targets identified in 2016/2017. Our most vulnerable populations are experiencing a more cohesive and co-ordinated service from all the social agencies. While the full benefits are yet to be achieved, there is a greater understanding of the strategies that are achieving successful outcomes, with proactive adaptation where necessary.

New Zealanders report increased satisfaction with the responsiveness and co-ordination of their care by the Health and Disability System.









Finally, all stakeholders express confidence in the Ministry's leadership and stewardship of the Health and Disability System. They have an appreciation of the significant change that has been achieved and a clear commitment to working with the Ministry to deliver improved health outcomes for New Zealanders.











Dame Paula Rebstock
Lead Reviewer

Jenn Bestwick
Lead Reviewer

Summary of ratings







Results

Government Priorities	Rating
Fiscally sustainable Health System	
Implementing the New Zealand Health Strategy	
Better Public Services targets	
<i>Retired BPS Result 3 – Increase infant immunisation and Reduce incidence of rheumatic fever</i>	
<i>Refreshed BPS Result 2 and 3 – A good start in life</i>	
<i>New BPS Result 4 – Vulnerable children</i>	
The Canterbury health system	
Budget 2016 and beyond priorities	
<i>Social investment</i>	
<i>Implement bowel screening programme</i>	






Core Business	Rating (Value to Customers and New Zealanders)	Rating (Increased Value Over Time)
Development of the New Zealand Health Strategy		
Building system capability and capacity		
Improved system performance / improved health outcomes		
Crown entity monitoring (non-DHB entities only)		
Regulatory stewardship		

Organisational management

Leadership and Direction	Rating
Purpose, Vision and Strategy	
Leadership and Governance	
Values, Behaviour and Culture	
Review	
Delivery for Customers and New Zealanders	Rating
Customers	
Operating Model	
Collaboration and Partnerships	
Experiences of the Public	

Relationships	Rating
Engagement with Ministers	
Sector Contribution	
People Development	Rating
Leadership and Workforce Development	
Management of People Performance	
Engagement with Staff	
Financial and Resource Management	Rating
Asset Management	
Information Management	
Financial Management	
Risk Management	

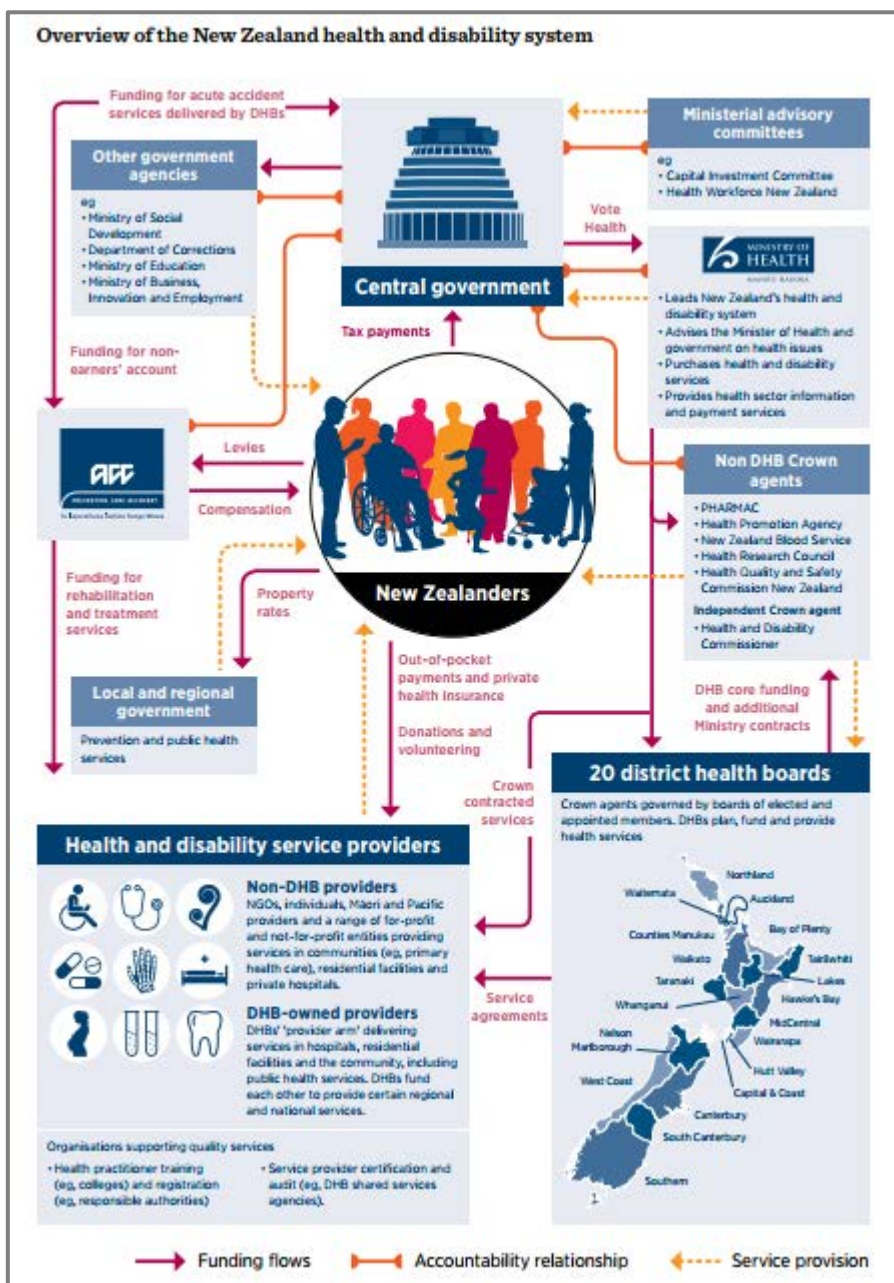
Rating system

Rating	Judgement	What it means
	Strong (Excellent)	Best practice/excellent <ul style="list-style-type: none"> ▶ High level of capability and sustained and consistently high levels of performance ▶ Systems in place to monitor and build capability to meet future demands ▶ Organisational learning and external benchmarking used to continuously evaluate and improve performance.
	Well placed	Capable <ul style="list-style-type: none"> ▶ Delivering to expectations with examples of high levels of performance ▶ Evidence of attention given to assessing future demands and capability needs ▶ Comprehensive and consistently good organisational practices and systems in place to support effective management.
	Needing development	Developing <ul style="list-style-type: none"> ▶ Adequate current performance – concerns about future performance ▶ Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units ▶ Areas of underperformance or lack of capability are recognised by the agency ▶ Strategies or action plans to lift performance or capability, or remedy deficiencies are in place and being implemented.
	Weak	Unaware or limited capability <ul style="list-style-type: none"> ▶ Significant area(s) of critical weakness or concern in terms of delivery and/or capability ▶ Management focuses on tasks and actions rather than results and impacts ▶ Agency has limited or no awareness of critical weaknesses or concerns ▶ Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.
	Unable to rate/not rated	There is either: <ul style="list-style-type: none"> ▶ No evidence upon which a judgement can be made; or ▶ The evidence available does not allow a credible judgement to be made.

Agency context

The New Zealand Health and Disability System

New Zealand's health and disability support services are delivered through a complex network of organisations and people in the public, non-governmental and private sectors. The funding and contracting arrangements for the Health and Disability System are also very complex, with a mix of national, regional and fee for service arrangements, as well as co-payments.



Source: Draft Vote Health Four-year Plan 2017 – 2021

This network offers reasonably comprehensive healthcare and is generally free at point of need, with 83% of health spending being publicly funded. Some services, such as adult dental care, are not covered by the Health and Disability System.

The Ministry of Health

The Ministry leads New Zealand's Health and Disability System through:

- providing strategic and policy advice to the Government on health and disability issues and on the management and development of the system
- managing the health services statutory framework and regulations covering matters such as: duties and roles of key organisations; public and environmental health standards; certification of healthcare service providers and regulation of health professions; the safety of medicines and medical devices and the safe manufacture, handling and prescription of medicines and controlled drugs
- purchasing services from, and overseeing the performance of, a number of State sector entities, including: twenty DHBs, Health Quality and Safety Commission, Health Promotion Agency, Health Research Council of New Zealand, New Zealand Blood Service and PHARMAC
- purchasing directly a range of health and disability support services
- leading and supporting the development of the health and disability workforce
- supporting a core national infrastructure, such as health indexes and registers, health system data and payment services, to enable efficient planning and provision of health and disability support services.

At 30 June 2016, the Ministry employed 1081 staff, based at 6 locations in New Zealand (80% in Wellington). At the end of 2016, the Ministry's Wellington-based staff shifted back to its Molesworth Street headquarters. These premises have undergone substantial refurbishment to support more flexible, efficient ways of working and a step change in the Ministry's performance.

The Ministry is funded through Vote Health (2016/17 \$16.142 billion), which is around 20% of total government expenditure. Departmental expenses are \$171.6 million with departmental capital expenditure of \$16.3 million. The Ministry purchases some disability support services and public and personal health services through national contracts with providers. Over 80% of the Vote is managed by DHBs for the purchase and provision of health, disability support and aged care services in their communities.

The performance story so far

A PIF Review for the Ministry was conducted in March 2012. At that time the Lead Reviewers noted that the New Zealand health system "by comparison to most OECD indicators, is currently performing well and delivering value-for-money".

The 2009 reforms to the health sector had changed the sector landscape and structural relationships and this brought some leadership and operational challenges. The Ministry had made good progress in areas such as rebuilding sector relationships, leading some key projects and re-establishing the trust and confidence of Ministers. Service performance in the health sector had improved in priority areas through use of the national health targets and DHB deficits had been considerably reduced. In spite of this, health disparities remained significant for particular populations.

The context for the 2012 PIF Review was the medium-term challenges facing the health system “combining demand pressures, the need to improve models of supply and a need for fiscal restraint”. At the same time, “pockets of innovation” locally and internationally, offered opportunity for improved models of service delivery and patient experience.

The 2012 PIF Review identified a step-change in health sector performance was required with the Ministry needing to build on recent improvements. In particular, it needed to:

- develop with staff and sector stakeholders “a compelling medium-term framework for the health and disability sector and a companion organisational strategic plan for the Ministry, with a tight focus on priority result areas and the metrics to support them.” This would help to clarify the Ministry’s role and the priorities for staff and the sector.
- establish a systematic approach to change management
- maintain momentum and reach
- focus on results of the health reform programme.

The Director-General of Health and Chief Executive, Chai Chuah, was appointed in March 2015. He commissioned a Funding Review and a Capability and Capacity Review of the New Zealand Health and Disability System.

In 2015 the Director-General led a refresh of the New Zealand Health Strategy, which had last been updated in 2000. The new Health Strategy was developed with input from sector leaders, independent reports and public consultation. It was published in April 2016 in two parts: Future Directions and Roadmap of Actions.

The Director-General also initiated a multi-year organisational change programme, *Ministry on the Move*. A new ELT and corporate structure were established during 2016. The Target Operating Model identified for *Ministry on the Move* is designed to re-position the Ministry to fulfil its stewardship role for the Health and Disability System and give effect to the Health Strategy. Restructuring of individual business units was initiated in a planned sequence in 2016 and 2017.

The Lead Reviewers developed a draft Four-year Excellence Horizon for the Ministry with the ELT during 2016. In February 2017 the Lead Reviewers conducted this PIF Review, in light of the draft Four-year Excellence Horizon, while implementation of *Ministry on the Move* was still underway.

In November 2017, the Ministry provided some examples from its work programme since February that demonstrate progress in how the Ministry is changing the way it works in line with *Ministry on the Move* and the Health Strategy. These examples have been inserted as MotM⁵ Case Studies in the next sections of the report.

⁵ MotM stands for *Ministry on the Move* – signalling this new way of working.

Results section

Delivery of Government Priorities

This section reviews the Ministry's ability to deliver on its strategic priorities agreed with the Government. While the questions guide the Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

Government priority 1: Fiscally sustainable Health System

Performance Rating: **Weak**



Vote Health is a significant component of government expenditure and has grown in real terms on a per person basis over many decades, though the rate of growth has slowed since 2010. The Ministry has identified that the current model for delivery of health services is not fiscally sustainable. The Ministry is charged with ensuring the wider health and disability support system is managed in an efficient and productive manner, delivering continuous improvements in the health services New Zealanders receive while ensuring it is sustainable in the future.

DHBs have increasingly struggled to deliver contracted services within budget with a number of DHBs reporting operating deficits reflecting ongoing financial pressures within the health system.

The Ministry's focus is both on increasing the efficiency of the system but considering alternative service delivery models and on better understanding the cost pressures. The Ministry reports having work underway to develop its understanding of the cost pressures experienced by the system and the DHBs in particular. It is anticipated this work will inform a Better Business Case in 2017/2018. At this stage it is too early to determine what outcomes are likely to result from this work.

The restructure of the Service Commissioning business unit has created a number of functions intended to look at system level performance, namely System Performance, System Outcomes and DHB Funding and Planning.

The Ministry provided the following information regarding work delivered in the last 12 months that, once fully implemented, should enable efficiency gains at a system level, although it is unclear what role the Ministry played in relation to these initiatives:

- Electronic prescribing is in use in five hospitals to support the safe, effective and appropriate use of medicines through the eMedicines Programme, with plans for further roll-out in 2017. The Ministry intends to establish an oversight group with Ministry and system representation to provide coordination, direction and support to the system.
- More than 330 practices have implemented patient portals and over 137,000 New Zealanders have registered to access their health information securely in real time. The Ministry provided funding to assist PHO's to provide training and support in the use of the portal and required various milestone reporting during their introduction
- the New Zealand Telehealth Forum is working with the Ministry to develop a national Video Conferencing Directory to support clinical uptake of Telehealth.

While these initiatives are welcome steps towards increasing system efficiency, they are not of a scale or magnitude to address the changes in system delivery models required.

The Health Strategy outlines, at a high level, a number of changes to health service delivery that will improve health outcomes, customer satisfaction and fiscal sustainability. In particular the ‘One Team’, ‘Closer to Home’ and ‘Value and High Performance’ themes are intended to see the system innovate and redesign health service delivery in ways that both support improved outcomes and increase the value realised from New Zealand’s healthcare spend. To date there does not appear to be momentum in progressing these significant shifts in delivery and the Ministry does not yet appear to have determined how it intends to work with the system to achieve these.

Future focus for: Fiscally sustainable health system

The Ministry should:

- urgently complete its work to understand system performance, cost pressures and opportunities to improve the efficiency and effectiveness of health service delivery
- work with the health system to identify, plan and implement priority projects and be able to demonstrate target health outcomes and fiscal sustainability benefits sought
- undertake and bring to bear in-depth customer insights to inform service delivery design
- facilitate the sharing of innovative practice in the system globally, especially where customers are supported to better manage their own health outcomes.

Government priority 2: Implementing the Health Strategy
Performance Rating: Weak 

The Health Strategy was developed through engagement with the public and the health, disability and social sectors and is being used to guide planning, design and delivery of health services over the next ten years. The Health Strategy is built around five key themes that address the challenges facing the Health and Disability System:

- People Powered
- Closer to Home
- Value and High Performance
- Our Team
- Smart System.

The Health Strategy is supported by the Roadmap with 27 areas of work intended to set the foundation of the Ministry’s business planning.

Since the Health Strategy was formally launched, its high-level vision has garnered support from across the health and social sectors. The initial call to action was effective in engaging stakeholders and the community to coalesce in support of the strategy.

Many people in the health system see the Health Strategy as a necessary refresh, but not sufficient on its own to enable change. The Roadmap is generally at a high level and Ministry staff and external stakeholders expressed frustration that, almost a year on, there is no clarity as to the critical enablers and priority projects for implementation. It is difficult for all parties to understand where accountability lies and attention needs to be focused as well as what progress is being made. At the time of this review it is not clear what progress regarding the implementation of The Roadmap has been made. Critically, the key themes that were identified to respond to the challenges faced in the Health and Disability System have not been progressed. At this stage the Ministry is at risk of losing the window of opportunity it successfully opened in the release of the Health Strategy. While some instances of progress can be pointed to, there are insufficient building blocks in place to get in front of the challenges faced.

The Health Strategy envisaged that a Strategy Leadership Group would be established with sector representation to advise the Director-General on “progress, implementation and refinement⁶”. This Group has not been established. Interviewees were concerned that there is no coordination or guidance and this is particularly problematic where regional and national operating models need to change. Staff and external stakeholders were also concerned that there are no new resources to support implementation while also maintaining essential services.

At the time the Health Strategy was launched, the Ministry had set about to transform the Ministry to deliver on the strategy. It identified a target operating model that is intended to reflect its role as steward of the Health and Disability System. This coincided with the Ministry’s undertaking an extensive restructuring of the ELT and down and across much of the organisation. This is still a work in progress and has contributed to a general sense in the health and social sectors that the Ministry is internally focused on its own organisational transformation and as a consequence has put on hold implementation of the Roadmap.

At the same time Ministry staff consistently indicate that they have yet to see significant change in how the Ministry works with the health system, particularly at the frontline operational areas.

While some of the current priorities for the Ministry can be seen to contribute to the implementation of the Health Strategy most interviewees view these as being developed in a piecemeal manner, without the engagement of the health system that the Health Strategy foreshadowed. In addition, business-as-usual activities have been disrupted, as changes have occurred in key Ministry personnel and established channels and due to a loss of expertise.

Despite the lack of clarity from the Ministry about priorities to implement the Health Strategy, many DHBs are using the Health Strategy to effect change at a local level. This is encouraging, though there is a high risk that this activity will lead to duplication of investment in new systems and models of care and variability in service provision across New Zealand. It will also lead to more complexity and higher costs for national service providers that contract to individual DHBs.

⁶ Action 16c – Roadmap of Actions 2016.

Future focus for: Implementing the Health Strategy

Looking forward, it is time critical to the Ministry's stewardship role in the Health and Disability System, for the Ministry to reengage with its partners in the health and social sectors to significantly increase the degree and pace of transformation. Together, they must:

- develop a detailed framework and plan to deliver the Health Strategy with medium-term objectives, outcomes and milestones
- identify the infrastructure and resourcing priorities
- establish a health system Target Operating Model (that is compatible and complementary to the Ministry's own Operating Model)
- clarify roles and responsibilities across the Health and Disability System.

It also needs to give clear line of sight to Ministry staff as to how what they do every day connects to the Health Strategy. This means the Ministry has to engage with the health sector before it has completed key components of its own transformation, because the Ministry transformation is a multi-year programme in itself.

A high engagement model with the Ministry's key partners will be needed and can only succeed through exemplary communication and openness across teams within the Ministry and across the health and social sectors.

Importantly, the Ministry must engage early using well-understood end-to-end strategic and operational policy development loops that start with strong customer insights and data analytics to create evidence-led policy. Customer demands and operational partners must inform this early work.

Government priority 3: Better Public Services targets

Retired BPS Result 3 – Increase infant immunisation & Reduce incidence of rheumatic fever

Performance Rating: **Strong**



The Ministry had led two recently retired BPS targets.

The two BPS targets for the 'retired' **Result 3** were:

- ▶ *Increase infant immunisation rates so that 95 percent of eight-month-olds are fully immunised by December 2014 and this is maintained through to 30 June 2017*

The Ministry has demonstrated best practice in facilitating the improvement in immunisation results. It could track very effectively where there were issues and put very effective mechanisms in place to transfer lessons learnt from high-performing DHBs to ones that were struggling to achieve the target.

Significant progress has been made. For the quarter ending December 2016, 93.3% of eight month olds were fully immunised. Thirteen out of twenty DHBs have met the 95% target for one or more quarters in the last two years. Immunisation coverage at age eight months has increased by 8% since the target was introduced in June 2012. Importantly, coverage for Māori infants has increased from 78% to 91% in the same period.

Infant immunisation coverage rates have plateaued between 93 and 94 percent for the last year and the Ministry has acknowledged it is unlikely that the 95% target will be reached before the end of 2017. Reaching the last few percent of children to achieve the target is a complex challenge due to cultural, social, financial and other barriers to accessing immunisation. Additionally, around 4% of families choose to not vaccinate their children. Strategies to address hesitancy to immunise are continuously evolving and decline rates have decreased substantially since the introduction of health targets for immunisation.

- ▶ *Reduce the incidence of rheumatic fever by two thirds to 1.4 cases per 100,000 people by June 2017*

The way the Ministry tackled this target embodied the vision of Better Public Services. It worked across sectors to get at the root causes of rheumatic fever. The Healthy Homes Initiative was an excellent example of the Ministry leading the health and other sectors (including other agencies) to be customer-focused, innovate and learn.

Progress continues to be made towards meeting the 2017 rheumatic fever target rate of 1.4 per 100,000. At the end of the December 2016 quarter, the rheumatic fever rate was 3.0 cases per 100,000 people, which is a 23 percent decrease from the baseline rate of 4.0 cases per 100,000 in the 2009/10-2011/12 period.

The latest figures mean that achieving the June 2017 target (two-thirds reduction from baseline) will be challenging, and the Result continues to have an Amber rating. Rheumatic fever numbers need to drop significantly in Auckland, which has more than half of the country's rheumatic fever cases, for the national target to be achieved.

This result area has been replaced by Refreshed BPS Result 3: Healthy Kids (see below).

Government priority 4: Better Public Services targets
Refreshed BPS Results 2 and 3: A good start to life

Performance Rating: **Well-placed**



The Ministry currently leads two of the refreshed BPS results targets. These are:

- ▶ **Refreshed BPS Result 2: Healthy Mums and Babies – by 2021, 90% of pregnant women are registered with a Lead Maternity Carer in the first trimester, with an interim target of 80% by 2019, with equitable rates for all population groups.**

Healthy pregnancy and safe birth are foundations for a good start to life. Registration with a Lead Maternity Carer within the first trimester (first 13 weeks) results in better pregnancy outcomes because the mother and child are better connected with health and social services. Achieving high rates of first trimester registration will also require high-quality primary care services for women and girls before pregnancy and better integration of general practice and maternity services. Making progress on BPS Result 2 will also depend on reducing the disparities that exist between population groups, as rates of registration with a Lead Maternity Carer are considerably different by ethnic group. The Ministry already has priority actions underway or planned that will contribute to this target, including working with DHBs and their district alliance partners to continue to implement System Level Measures that focus on core health outcomes for pregnant women and babies.

- ▶ **Refreshed BPS Result 3: Healthy Kids – by 2021, a 25% reduction in hospital admission rates for a selected group of avoidable conditions in children aged 0 – 12 years, with an interim target of 15% by 2019. (Includes avoidable hospitalisations for respiratory, dental, skin conditions and head injuries).**

This target will continue the progress already achieved by the previous targets around immunisation and rheumatic fever. These will become supporting measures under a new target aimed at reducing the rates of preventable hospitalisations among children under 13. The new target area is designed to keep children healthy and out of hospital, reduce the rates of potentially avoidable hospitalisations and reduce inequities in these rates. Supporting measures will be based on admission conditions, ethnicity and other population groups with identifiable risk factors.

Result lead agencies have developed Result Action Plans for each Result. These Plans are evidence-based, with intervention logic underpinning proposed actions across agencies. The Ministry's Result Action Plans will be released online as part of the announcement of the refreshed BPS Results programme⁷.

The Ministry's planned priority areas of action are:

- better target services in line with priority population needs
- co-design services with the people and communities who use them

⁷ See <http://www.health.govt.nz/news-media/news-items/new-bps-result-action-plan-now-available> posted 9 June 2017 on the Ministry's website.

- look for opportunities to better align health and social services to improve outcomes
- strengthen core community-based services.

MotM Case Study: Co-design of funding for community midwifery services

The Ministry of Health is working with the New Zealand College of Midwives (NZCOM) to co-design a new Community Primary Midwifery Funding Model. The objective of the project, which started in March 2017, is to design a funding and contracting model for purchasing community midwifery services that meets the needs of:

- the women and families that use the services
- the Lead Maternity Carer midwives who provide the services
- the purchasers / government and the services that intersect and interact.

The Ministry, NZCOM, community midwives and consumer representatives have used a co-design approach to document and agree the limitations and anomalies under the current funding model, establish a shared understanding of service users and service providers, and develop and test prototype funding, payment and data models.

Between now and the end of 2017 the Ministry and NZCOM will engage with the wider maternity sector on the prototypes to support further refinement, and undertake detailed implementation planning. The funding model developed will uphold the principles that make New Zealand's maternity system world-leading, including community-based care, continuity of midwifery care, midwives as autonomous practitioners and choice for pregnant women and their whanau.

If the project is successful, the new approach to funding community midwifery services will enable those services to contribute to meeting the new Better Public Service Result 2 target for Healthy Mums and Babies.

Government priority 5: Better Public Services targets

BPS Result 4: Vulnerable children

Performance Rating: **Needing development**



- ▶ **BPS Result 4: Improve the lifetime wellbeing of vulnerable children – Reduce the number of children experiencing physical and sexual abuse by 20 percent by 2021.**

The Ministry contributes to this BPS target. The work on this target is led by the Ministry for Vulnerable Children Oranga Tamariki with the support of other government departments.

This is one of a number of BPS targets aimed at improving outcomes for vulnerable children and picks up on BPS work from 2012 to halt the rise in physical abuse of children. The base was established in March 2015 at 3,114 assaults for the year. In the year to September 2016, physical abuse was substantiated for 3051 children, compared to 3011 for the year to September 2015.

Future focus for: Better Public Services targets

Looking forward, the Ministry needs to utilise a social investment approach to address these challenging targets. It will need to draw on the new ways of working signalled in the Ministry's *Playbook*, including use of data analytics and customer insights, early and sustained co-design with key partners and stakeholders, improved monitoring and evaluation of returns on investment and effectiveness of interventions. The Ministry needs to utilise the actuarial model being developed by the Ministry for Vulnerable Children Oranga Tamariki and the Vulnerable Children's Board to ensure its interventions are well-aligned with other social sector and justice interventions to achieve cumulative impact.

Government priority 6: The Canterbury health system

Performance Rating: **Needing development**



The Ministry's Statement of Intent 2015 – 2019 indicates there are two key elements of its response to the Government's priority to support the recovery of Canterbury post-earthquake:

- Implementation of the Psychosocial Recovery Strategy and Action Plan in conjunction with CDHB
- Management of the design and construction of new facilities at Burwood Hospital and the Christchurch Health Campus.

Community in Mind – Psychosocial Recovery Strategy and Action Plan

The Ministry worked with CERA, and other agencies, as CERA developed the population health recovery approach for Christchurch following the Canterbury earthquakes. It was represented on the Psychosocial Committee, chaired by CERA, and contributed advice from its experience of psychosocial recovery following adverse events in communities⁸. The Community in Mind Strategy was first published by CERA in June 2014 with a subsequent Shared Programme of Action launched in May 2015 and revised in December 2016.

The Ministry was part of the group that negotiated the transition from CERA's leadership of the Psychosocial Committee to that of the Canterbury District Health Board (CDHB) in 2015 and the Ministry continues to support the locally-led psychosocial recovery, through:

- continuing membership of the Greater Christchurch Psychosocial Committee, which is now chaired by CDHB
- support for on-going funding for mental health services.
In 2016 the Ministry supported a budget bid for an additional \$20 million in funding to CDHB over the next three years to increase mental health support for people in Canterbury. The package of initiatives will boost mental health services in Canterbury and includes an extra 26 full-time equivalent (FTE) primary care and community-based mental health workers. In addition, the Ministry will extend funding for the *All Right? Campaign*, which is designed to help Cantabrians think about their mental health and ways they can improve it. This campaign plays an important role in the wider psychosocial recovery effort and the Ministry is now the accountable agency, with CDHB responsible for local governance and activity.

Rebuild of Burwood and Christchurch Health Campus

The Ministry has responsibility for overseeing the design and delivery of the rebuild and repair of CDHB's capital facilities post-earthquake. The Minister appointed the Christchurch Hospital Redevelopment Partnership Group in 2012 to provide governance oversight.

⁸ See also the paragraph on the Ministry's role in emergency management in *Core Business 5: Regulatory Stewardship*.


The programme of work is extensive and has a number of large scale projects associated with critical health infrastructure. To date the rebuild of Burwood Hospital has been completed with other projects underway. The Ministry reports that the acute services building at Christchurch Hospital is due to open in 2018 with the outpatients' facility for Grey Base Hospital expected to be completed in 2018.

Early in 2017 the Ministry reported that a number of the Christchurch capital projects were off-track and under management. A number of cost and schedule pressures are present with the Ministry reporting it is actively managing these in conjunction with the Christchurch Hospital Redevelopment Partnership Group and CDHB.

Future focus for: The Canterbury health system

The Ministry needs to be clear about its own contribution to, and role in, the on-going recovery of Canterbury. In doing so it should consider the policy and leadership contributions required, how it adds value and how it will monitor the continuing effectiveness of its contribution to the Canterbury health system, including through inviting feedback from its partners in Christchurch.

The relationship between the Ministry and CDHB has been challenging for a number of years. While there appear to be functional channels and mechanisms to allow critical projects to proceed, the underlying tension in the relationship and apparent lack of trust may be compromising potential outcomes in relation to this Government priority. Until both the Ministry and CDHB can work more constructively together, it is hard to see how performance is likely to improve.

Government priority 7: Budget 2016 priorities – Social investment	
Performance Rating: Needing development	

The Ministry describes its social investment approach as including the following components, which are expected to yield a return on investment:

- Segmentation – who, what and why?
- Predictive analytics – what is likely to happen?
- Cost models – what are the health, fiscal and societal impacts?
- Effectiveness – what works and for whom?
- Health and Disability System returns – building a consistent approach to valuing outcomes in the health system.

The Ministry is initially focused on implementing a social investment approach to improved health outcomes in two areas:

- Trialling an investment approach to four priority health areas: mental health; disability; 0-5 year olds and long term-conditions
- Working with the Social Investment Unit on mental health and addictions to understand whether services to meet mental health and addiction needs create fiscal, individual and social benefits outside the health system and whether early intervention in a person's life course reduces overall costs.

The Ministry recognises this is very early work and that a movement towards a system-wide social investment approach will require significant shifts in the way it plans, commissions, and establishes accountability for outcomes. In particular, much greater understanding of system performance is required. There is a need for greater transparency of performance data at a service level and with respect to outcomes for individuals.

Future focus for: Budget 2016 priorities – social investment

Looking forward, the Ministry needs to explore how to take a social investment approach across all aspects of health and disability support services. Its current approach in particular areas is quite ‘skinny’, and while this work will help grow the Ministry’s capability and insights in particular parts of the system, the Ministry must move to develop a fuller model through its Client Insights and Analytics group. This model will allow investment returns across the Health and Disability System to be compared and understood in order to inform trade-offs and future investment decisions.

The Ministry is a contributor to the development of the new children’s agency’s social investment model and valuation which includes health wellbeing indicators for all children and their households. This will give the Ministry the opportunity to accelerate its wider social investment approach, if it positions itself to do so.

MotM Case Study: Evidence-based investment practices

Making evidence-based investments requires good understanding of people, their needs, and the effectiveness of investments on health outcomes. Since February 2017 the Ministry has been building its capability in using integrated data to better understand the pathways people take through health services, and the link between health and social outcomes. In particular:

- The Ministry has completed a range of analyses on users of **mental health services** including longitudinal analysis to understand how people interact with those services, whether different utilisation patterns are associated with particular cohorts, and the correlation between type of mental health service used (e.g. inpatient) and social outcomes (e.g. suicide prevention). Exploratory analysis into the prevalence of particular factors, such as social service use, in a cohort of people that had died by suicide or had self-harmed has been conducted. This and other analysis, will inform ongoing policy work about suicide prevention.
- Utilisation patterns of primary and secondary healthcare have been analysed and compared across different population groups. The insights from this work will inform ongoing policy work for the future direction of **primary care**.
- To better understand the effectiveness of investment in Health, the Ministry has been building a statistical model that forecasts costs and health loss for the population, based on current investment and health outcomes. The model has the functionality to test the impact of different investment scenarios on health outcomes.

Government priority 8: Budget 2016 priorities – Implement bowel screening

Performance Rating: **Needing development**



Introduction of a National Bowel Screening Programme (the Programme) is a preventative measure, intended to improve health outcomes and reduce the long-term costs of bowel cancer.

The Ministry completed a business case for the Programme and the procurement approach for the National Coordination Centre. Budget 2016 allocated \$39.3 million for the Programme, subject to approval of the business case, which was approved in August 2016. The proposal is to provide all eligible 60-74 year olds in New Zealand access to the programme, to be rolled out over three years. Initially, the Waitemata DHB's pilot is to be rolled out to two additional DHBs in mid-2017, with full roll-out to all DHBs commencing in 2018.

The Programme's Implementation Progress Report as at 8 December 2016 showed the programme status as 'at risk' and the Project status across several areas, such as next stage business case approvals, as 'at risk'. This is reflected also in the Major Projects Monitoring Assessment of Red/Amber as at November 2016⁹.

Future focus for: Budget 2016 priorities – bowel screening



The Ministry needs to work with key partners and stakeholders to develop and get commitment to a detailed implementation plan. The Ministry will need to assist all players to free up capability and resource across the system to ensure this programme of work stays on track and can address the inevitable difficulties that will arise as the Programme is rolled out to all DHBs.

It will be particularly important to identify and share lessons learnt as the roll-outs progress, in order to achieve national coverage to schedule.

⁹ By April 2017 the Treasury had reported an improvement in the status from Red/Amber to Amber as the Ministry addressed the Programme's issues. See: <http://www.treasury.govt.nz/statesector/investmentmanagement/publications/majorprojects>

Delivery of Core Business

This section reviews how well the Ministry delivers value to customers and New Zealanders and how well it demonstrates increased value over time. While the questions guide the Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

Core business 1: Development of the New Zealand Health Strategy	
Performance Rating (Value to Customers and New Zealanders):	Well placed 
Performance Rating (Increased Value Over Time):	Well placed 

In 2015 the Ministry's ELT gave high-level consideration to the Ministry's role as steward of the Health and Disability System. It described the requirements as making sure the system works well, at every stage, for every New Zealander. The Ministry recognised that stewardship also means that partner organisations will lead and support much of the required transformation of the system. This early thinking helped set the scene for the first refresh of the New Zealand Health Strategy since 2000.

This project began with a focus on identifying the Health and Disability System challenges to improved health outcomes based on early data analytics and evidence. These challenges broadly fall across two dimensions:

- (i) Affordability: Economic, societal, technology and population
- (ii) Improving health outcomes: Equity, patterns of demand and workforce.

The Ministry engaged extensively with the public, and health, disability and social sectors in developing the strategy.



The Health Strategy was launched in April 2016 and outlines the high-level direction for New Zealand's Health and Disability System over the 10 years from 2016 to 2026. As previously described, it encompasses five strategic themes, which guide how the system challenges will be addressed, with 27 areas of action identified for the next five years to set the path of achieving the Health Strategy.

The 27 areas for action include a combination of work that will have system-wide impact, work that will prompt further action by unlocking parts of the system and areas of focus that reflect Government priorities. The Ministry has indicated that the 27 areas for action will drive its business planning process going forward.

The New Zealand Disability Strategy was also launched in late 2016 by the Minister for Disability Issues. The Ministry was one of the central partners involved in the development of the strategy. As the strategy moves to implementation stage, the Ministry will take the lead role from the Office of Disability Issues at the Ministry of Social Development. The team developing the New Zealand Disability Strategy utilised an extensive engagement process with customers, stakeholders and partners. The work was founded on a strong voice of the customer and has been well received by clients and the sector. Like the Health Strategy it has taken a forward view of challenges the disability support system faces and to which the strategy responds.

The high-level refresh of the Health Strategy gave the Health and Disability System a point of focus. It engendered some excitement and it was timely. The Health Strategy is thematic, rather than directional, but the themes of *Closer to Home* and *One Team* held appeal to a wide cross-section of the Health and Disability System and raised the prospect of co-design and deep engagement as tools to effect the fundamental shifts needed to future-proof the system. Fundamentally, the building blocks of the Health Strategy were seen as capable of delivering the increased value over time the Health and Disability System requires, if the strategy was successfully implemented.

A large cross-section of people was engaged in the refresh of the Health Strategy. Significant and important actions were identified. The vision is ambitious, compelling and is laid out in a practical and logical manner. It sets out the key shifts in the system that are needed, built on evidence and with the customer at the centre of the system. Importantly, it established the platform for change and clearly articulated how value would be enhanced and captured going forward. The engagement and communication around the development and release of the Health Strategy were well-orchestrated and reflected the ways of working foreshadowed as being required to move to a sustainable Health and Disability System. This gave the Ministry a degree of credibility in its newly articulated role of steward of the system.

Core business 2: Building system capability and capacity		
Performance Rating (Value to Customers and New Zealanders):	Needing development	
Performance Rating (Increased Value Over Time):	Needing development	

The Ministry’s planning regarding building system capability and capacity to support the Health Strategy is in the early stages. To date activities in this area include:

Information technology and digital capacity

- Planning and hosting two National Health Symposia for the health system showcasing innovations in healthcare technology and delivery
- Developing Digital Health 2020, which provides the umbrella framework for the core digital technology opportunities outlined in the Health Strategy and progressing three components of Digital Health 2020:
 - Leading the Single Electronic Health Record project for the system. The Strategic Assessment for this project has recently been completed
 - Working with the DHBs to apply an Electronic Medical Record Assessment Model to assess hospital digital maturity with a view to identifying gaps and lifting maturity nationally to align with national standards
 - Scoping a Population Health IT Ecosystem to enable the delivery of high-quality, safe, and equitable screening and immunisation (population healthcare) programmes nationally
- Appointing a Digital Advisory Board to provide advice to the Director-General of Health on the emerging technology agenda and how it supports the implementation of the Health Strategy.

Workforce planning

- Reframing the relationship and working closely with Health Workforce New Zealand to support its activities and reporting, including support for the Workforce Plan, which is linked to the five themes and relevant actions in the Health Strategy
- It is very early days, but the Ministry is also looking to reframe its relationship with the health system employees in connection with both its role in supporting development of the health workforce through Health Workforce New Zealand and its monitoring role for the DHBs' employment relations.

Management and governance capability

- Establishing and hosting a DHB Board Chair and Member Induction forum to support new board members to understand the Health and Disability System, their role as governors in the public sector and key accountability mechanisms
- Initiating discussion with the DHBs and SSC that culminated in an agreement to implement a shared approach to talent management and leadership development across the DHBs, mirroring the approach in place for Public Service agencies.

Sector services

- Conducting a strategic assessment of Sector Operations and the need to invest in change to improve health sector payments and related services
- Implementing National Telehealth Services to integrate seven separate helpline services with the goal of improving service access across New Zealand.

Future focus for: Building system capability and capacity

The Lead Reviewers acknowledge there can be long lead times to build or replace system capacity and capability and as well as the national infrastructure that the Ministry supports.

The Ministry needs to:

- develop a vision with the sector of what a customer-led Health and Disability System looks like and the system capacity and capability needed to support that system
- co-design with the sector, based on deep partnering, the system building blocks
- implement the underpinning system building blocks and foundations with the sector at pace
- ensure the national infrastructure services that the Ministry delivers are, and remain, fit-for-purpose, meet the needs of customers, anticipate future needs, achieve high performance standards and represent value for money.

Core business 3: Improved system performance / improved health outcomes

Performance Rating (Value to Customers and New Zealanders): **Needing development**



Performance Rating (Increased Value Over Time): **Weak**



The Ministry's activity in this area of core business to date has been setting and monitoring financial and non-financial performance measures that give effect to government priorities, inform and support system performance improvement and contribute to improved health outcomes for New Zealanders.

This work includes monitoring and reporting on the DHBs' financial performance against an annual plan and budget, a range of other performance indicators and, since 2008, on a selection of health targets. Each DHB's performance against the health targets is published quarterly on the Ministry's website. They are a mix of quality and quantity targets.

While the health targets have enabled greater public scrutiny of DHB-funded services they give little insight into actual health outcomes and whether each DHB is addressing the most challenging health issues in its community and is meeting the needs of its customers.

DHBs reported the development of the annual plan is a complex and unproductive exercise and it is treated as a compliance exercise rather an activity that adds value to the DHB's strategic and business planning or to its engagement with its community. It not clear what value the Ministry's monitoring of DHB performance against the annual plan delivers.

The Ministry has identified it needs to change the way it engages with, and monitors, the DHBs in support of improved system performance. Though it does not yet have a formal strategic engagement plan, two specific initiatives are underway:

- For the 2017/18 year, the Ministry has embarked on a change in approach to the annual plan requirements for DHBs, simplifying the requirements for the next financial year and with further improvements planned. There was some tension over the changes and how they were implemented, though recognition by some DHBs that this is a move in the right direction. The Ministry expects to improve on this process in future years.
- The Ministry has recently published additional proposed non-financial performance measures for DHBs for the coming financial year. The proposed framework includes four System Level Measures, which are aligned with the Health Strategy themes and are designed to focus on specific improvements in clearly defined health outcomes for New Zealanders that are delivered at a system level (i.e. the health outcome can only be achieved by an integrated system-wide approach). Two more System Level Measures are to be introduced from July 2017. These first System Level Measures are designed to focus on priority areas of children, youth and vulnerable populations and to address inequity of health outcomes at a population level.

The Ministry has used a co-design methodology, working with DHB representatives and the Health Quality and Safety Commission to develop and implement the measures. This demonstrates a One Team approach, which is to be commended.

The Ministry has clarified its role in relation to System Level Measures as:

- providing leadership and direction
- ensuring system accountability
- supporting through tool development, training to support quality improvement (in conjunction with the Health Quality and Safety Commission)
- enabling access to health data and analytics.

This aligns with the Ministry's role in more widely establishing and monitoring effective outcome measures for the Health and Disability System.

While this work is encouraging, there is more to do to adequately respond to the direction of public sector thinking regarding the social investment approach. There is little other evidence to date that, more broadly, the Ministry's System Performance thinking has made the shift required to develop system metrics that reflect improved health outcomes, informed and underpinned by evidence-based investment practices, deep customer insights and robust evaluative practices to understand what is working.

Future focus for: Improved system performance / improved health outcomes

The Ministry cannot develop its system performance framework in isolation, it must lead the development of the system performance framework with its system partners. It has a significant opportunity to step up momentum to achieve improved system performance, through:

- developing a system performance framework that is underpinned by social investment thinking, responds to the known health and wellbeing needs of our most vulnerable populations and recognises the value of that investment for New Zealand
- lifting its capability in comprehensive, structured analysis and interpretation of performance data and customer experience to provide credible evidence of improved health outcomes attributable to system interventions
- ensuring customer insights and preferences underpin any system performance monitoring framework
- working with DHBs and other social sector agencies to determine how improvements in health outcomes are to be achieved and monitoring outcomes.

MotM Case Study: System Level Measures – What the sector is saying

"The System Level Measures approach will have tangible results for people's health. Those results are much more difficult to get to – but this actually feels like medicine." – GP, PHO

"It's great to bring together experts from different roles and organisations to agree a plan that is really going to make a difference to the health of people in our community, particularly children." – DHB paediatrician

"We used the data provided by the Ministry of Health to each alliance. A lot of the performance issues, particularly equity outcome gaps, we already knew, but the data confirmed it." – Programme Director, Alliance Leadership Team

"A great thing about the SLMs is that really strong equity focus. For the ASH rates, it's been quite an eye opener, with things like oral health to see just what inequities there are and being able to put some real focus on those areas." – Practice Advisor, PHO

Core business 4: Crown entity monitoring

Performance Rating (Value to Customers and New Zealanders): **Needing development**



Performance Rating (Increased Value Over Time): **Needing development**



Monitoring of the DHBs is not discussed in this section as it is covered in Core Business 3: *Improved system performance / improved health outcomes.*

The Ministry monitors six non-DHB Crown Entities:

- Health and Disability Commissioner
- Health Promotion Agency
- Health Quality and Safety Commission
- Health Research Council of New Zealand
- The New Zealand Blood Service
- PHARMAC.

The role, size and complexity of these organisations vary greatly and historically the monitoring function has tended to focus on financial metrics with some narrative on Statement of Intent deliverables.

As a result of the recent restructure, a Governance and Crown Entity unit has been established in the Office of the Director-General of the Ministry. This function was previously performed by another business unit. This new team is working closely with the Chairs and Chief Executives of the Crown Entities listed above with the specific objective of improving corporate reporting and achieving greater alignment with delivery of government priorities. The unit is working with Crown Entities to grow capability and in doing so support governance performance where necessary.

Future focus for: Crown entity monitoring

The Ministry needs to:

- develop its engagement and monitoring approach to better reflect the scale, size and complexity of the individual crown entities
- recognise their roles and value to the wider Health and Disability System
- evolve its engagement with those entities to move beyond a traditional hands-off monitoring function to that of a critical friend and business partner, with senior level engagement to develop a shared view of the maximum contribution each Crown entity can make in the context of the wider system and the Ministry's role in supporting the entity to make its best contribution
- ensure the Ministry and the six non-DHB Crown Entities are modelling the 'One Team' approach required to implement the Health Strategy.

Core business 5: Regulatory stewardship

How well does the agency exercise its stewardship role over regulation?

Performance Rating (Value to Customers and New Zealanders): **Well placed**



Performance Rating (Increased Value Over Time):

Needing development



The Health Act 1956 states: “the Ministry shall have the function of improving, promoting, and protecting public health”. The Ministry is responsible for development and administration of a wide range of legislation and regulations relating to health services, products and providers as well as public health standards. The Ministry’s aim is to ensure:

- people in New Zealand are protected from communicable diseases and environmental health risks, including through leading New Zealand’s health response to local and international emergencies
- health service providers and products are safe and providers operate in an ethically acceptable way.

To give effect to the regulatory regime the Ministry’s operational role encompasses standards setting, certification for health providers and products and appointment of statutory officers under health-related legislation. In addition, it investigates complaints, abuses and criminal behaviour in relation to health services and therapeutic products. It also coordinates the operations of Public Health Units located in DHBs.

At the time of the review the Ministry was reviewing the business unit responsible for its regulatory role, as part of the *Ministry on the Move* programme.

The Treasury’s most recent publication on Best Practice Regulation: Principles and Assessments 2015 included an overall positive assessment of the regulatory regimes relating to: public health; health products and markets; and quality of health services.

Best Practice Regulation: Principles and Assessments 2015							
Regulatory regime	Growth supporting/ compatible	Proportional	Flexible, durable	Certain, predictable	Transparent	Capable regulators	Other
Public health	Yellow	Green	Green	Green	Green	Green	Green
Health products and markets	Yellow	Yellow	Green	Green	Green	Green	Green
Quality of health services	Green	Yellow	Green	Green	Green	Green	Green

Green	No significant concerns
Yellow	Possible areas of material concern
Red	Strong indicators of material concern

Public Health regulatory responsibilities cover: water; sewerage; epidemics; compulsion under the Mental Health Act 1992 and the regulation of tobacco and alcohol sales. Ratings in February 2015 for the public health regulatory regime had improved from a 2013 assessment. This was due to new legislation and a change of enforcement practice affecting tobacco and alcohol retailing to reduce uncertainties about future regulation and variability of enforcement. In addition, the Health (Health Protection) Amendment Bill, which became law in 2016, modernised the approach to management of infectious diseases and replaced, amended or revoked a number of outdated statutes and regulations.

As part of its public health responsibilities, the Ministry performs a leadership role in responding to national and international health emergencies. In late 2015 it published an update of the National Health Emergency Plan and has changed its Emergency Management team to improve responsiveness and agility in handling emergencies. The Ministry is the agency responsible for coordinating the provision of psychosocial support nationally as part of planning for individual and community recovery after emergencies. It continues to learn from successive emergencies including Canterbury and Kaikōura earthquakes and other events. Its approach is to advise and facilitate locally-led recovery initiatives. It commissioned a new Framework for Psychosocial Support in Emergencies to update its existing guidance; this was published in December 2016. The Ministry is able to draw on operational relationships and rehearsed procedures across the health system and wider State sector to provide a swift, effective medical response to emergencies. However, there is room for improvement in how it advises and supports Ministers when such events arise.

Modernisation of legislation relating to **Health Products and Markets** is long overdue, though not for want of effort by the Ministry in recent years. When a 2011 project to establish the Australian and New Zealand Therapeutic Products Agency was halted in late 2014, the Ministry quickly moved to develop a comprehensive, flexible, cost-effective, future-proofed regime to regulate therapeutic products in New Zealand. This will cover medicines as well as medical devices and cell and tissue therapies. It has made commendable progress, engaging stakeholders in the process and in 2016 publishing a range of papers on Government decisions about the proposed regulatory regime. Formal consultation on the draft legislation is planned for 2017.

The **Quality of Health Services** regulatory regime sets standards for the provision of services by hospitals, rest homes, residential disability care facilities and fertility providers. The Ministry runs a licencing regime for providers and is responsible for ensuring providers meet the standards for provision of safe and reasonable levels of service. Regular audit of providers is outsourced and it publishes a database of certified providers. Quarterly HealthCERT bulletins promote good practice in healthcare provision. In recent years the Ministry has improved the quality of the audit regimes for residential care facilities and these audit reports are now published on the Ministry's website.

There is no clarity within the Ministry of the regulatory reform priorities to support improved health outcomes. This has led to slow progress on legislative reform. For example, recent changes to improve access to health services have taken a long time to land:

- In 2014, eight years after the first discussion paper, legislation was changed to widen the range of qualified health professionals who could prescribe certain medicines.
- A 2012 review of the Health Practitioners Competence Assurance Act 2003 led to legislative change during 2016 to allow for regulation of a wider range of appropriately qualified health practitioners, such as ambulance paramedics.

Future focus for: Regulatory stewardship





The Ministry should:

- establish a regulatory management strategy and plan that sets out the current state of fitness of its regulatory regimes and priorities for investment in those regimes (including priorities for policy development and operational change) to support implementation of the Health Strategy
- seek input from customers of the Health and Disability System and its system partners to help inform, and build support for, the design and delivery of its regulatory role for the future
- improve its external communication on regulatory matters by ensuring:
 - members of the public can access performance audit reports about other health services providers equivalent to those currently published for residential care facilities
 - communication at the start of, and during, emergencies, is well-managed and includes effective, proactive communication with the Minister of Health and his office.

Organisational management section

This section reviews the Ministry’s organisational management. While the questions guide the Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

Leadership and Direction

<p>Purpose, Vision and Strategy</p> <p>How well do the staff and stakeholders understand the agency’s purpose, vision and strategy?</p> <p>How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</p>	
<p>Performance Rating: Well placed</p>	
<p>Leadership and Governance</p> <p>How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?</p>	
<p>Performance Rating: Weak</p>	
<p>Values, Behaviour and Culture</p> <p>How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?</p>	
<p>Performance Rating: Weak</p>	
<p>Review</p> <p>How well does the agency encourage and use evaluative activity?</p>	
<p>Performance Rating: Needing development</p>	

Purpose, vision and strategy

The Ministry’s purpose is to lead and shape the New Zealand Health and Disability System to deliver a healthy and independent future for all people. The Ministry’s vision is to be a trusted leader in health and wellbeing today and in the future, while its mission is to lead, shape and deliver with people at the centre. The Ministry’s goal is all New Zealanders: *Live Well, Stay Well, Get Well*. This strategy is articulated in the Health Strategy. In addition to the Health Strategy, there are a number of population and other health strategies, government and ministerial priorities, as well as Crown entity monitoring and regulatory stewardship priorities.

In its Four-year Plan 2017-2021 the Ministry identified six strategic priorities:

- implementing our investment approach
- improving health outcomes for population groups with a focus on Māori, older people and children
- improving access to and the efficacy of health services for New Zealanders with a focus on disability support services, mental health and addictions, primary care and bowel cancer
- improving outcomes for New Zealanders with long-term conditions with a focus on obesity and diabetes
- improving our understanding of system performance
- delivering on the transformation of the Ministry of Health as the effective steward of the system.

The Ministry's purpose, vision and strategy are well articulated in a number of documents and are reasonably well known and understood at a conceptual level across the Ministry and amongst stakeholders. The Health Strategy in particular was viewed with quiet optimism when it was released in April 2016. The strong communication and engagement around the Health Strategy at the time of its development and release is noteworthy. The strategic priorities identified were largely accepted as appropriate for the initial Four Year Plan.

Future focus for: Purpose, vision and strategy

To be strong on vision, purpose and strategy, the Ministry needs to:

- shift from aspirational statements to bringing the vision, purpose and strategy to life. The strategy needs to move from being thematic to directional
- lead and jointly develop how the strategy will be brought to life across the Ministry and with the system, focusing effort on the critical shifts that are required – for example, the shift from a clinical view to customer view. The Ministry needs to vigorously monitor progress against key paradigm shifts
- develop a framework for delivery that is co-designed with customers and partners, supported by a system operating model, evidential base and strong voice of the customer. A four-year excellence horizon for the Health and Disability System could be co-created with the sector
- work collaboratively with the health sector to address the critical challenges facing the Health and Disability System
- move beyond transactional to stewardship at every level of the organisation
- commit significant resources to delivering on the Health Strategy. This will require re-prioritisation and decisions to stop some things
- create a sense of urgency in the Ministry for making the Health Strategy real. The vision needs to be brought back to the critical things to be done today to build the platform for the next steps. The call to action is needed in a systemic and coordinated way

- significantly lift skills around influencing and partnering and deep engagement, while recognising that stewardship is a collective responsibility and different players will bring different capability and accountabilities to the table
- ensure the Ministry's purpose is strongly connected to roles so individuals have a clear line of sight between what they do every day and the purpose, vision and Health Strategy.

Leadership and governance

The ELT at the Ministry has extensively changed in composition and structure over the last few years with on-going recruitment to new roles in the restructured ELT throughout 2016. The ELT is also a relatively large team, made up of 13 leaders covering line accountabilities and professional roles in the Ministry. The *Ministry on the Move* transformation programme was well underway before all ELT positions were filled with permanent appointments. The ELT faced a challenging environment in which it needed to form and storm while also leading a large scale transformation and implementing a refreshed Health Strategy. It was critical that ELT deliver on business-as-usual while simultaneously transforming the organisation and system to deliver against an ambitious change programme.

The Ministry indicated that it has focused on the following leadership and governance initiatives as it has worked its way through its transformation programme, which started in mid-2015:

- establishing core leadership roles at the executive leadership level
- building a more collaborative working culture amongst senior leaders
- redefining the Ministry's mission, vision, purpose and culture
- launching the new Health Strategy and linking it with business priorities and the Four-year Plan
- improving internal communication and staff engagement.

The Ministry notes that further focus is required now to improve staff and stakeholder engagement, as well as embedding the organisational direction into business unit plans and individuals' objectives.

The ELT has attempted to utilise some of the techniques discussed in the Four-year Excellence Horizon, including coaches to help the team form and work collectively and other instruments such as 90-day plans, in order to gain momentum. Initially progress was made, but as the transformation has progressed it has proven challenging for ELT to work on itself as a leadership team, and on the Ministry and the system simultaneously. Some of the reported challenges that have been encountered include:

- The ELT worked together initially, but is reverting to a group of individuals. They are technically competent, but do not lead in a systemic way at an enterprise level
- Variable execution has limited the effectiveness of collective leadership techniques discussed in the Ministry's Four-year Excellence Horizon. Follow-through on agreed actions has been inconsistent and players have not been held to account
- The six strategic priorities identified for 2016/2017 (four outwardly focused and two inwardly focused) do not clarify what are the priority initiatives and objectives to be achieved by the Ministry over the year

- When other business units in the Ministry were ready, there has been collaboration, but some areas have moved forward without other key components moving forward at the same pace. As a consequence, the Ministry is at risk of forming new siloes. The ELT has not addressed the cause of differential progress across the Ministry
- The ELT has been informally developing the transformation as it goes, but very little of it is deliberate, systematic or documented. The resource required to deliver *Ministry on the Move* has been grossly underestimated and therefore not provided for
- Leadership is invisible in the Ministry and across the system, as the ELT has spent considerable time working on itself. While doing this there has been a failure to utilise the third tier at an enterprise level, instead each ELT member has continued to work through their own lines. Now there is evidence of disengagement at Tiers 3 and 4
- In addition, the third tier is not able to work effectively across the Health and Disability System and social sector because they still do not have an enterprise view. This is reflected in the fact that engagement falls off at third and fourth level, which is unusual. The ELT has worked on itself but not led through its senior leaders. They are a vastly underutilised resource and, as a consequence, are feeling demotivated. The Health and Disability System and social sector see the consequence of this and are becoming cynical about the Ministry's commitment to working differently
- The ELT is still working through what it means to be a steward and how its role needs to change.

Future focus for: Leadership and governance

The ELT needs to bring its vision to life. Collective accountability for, and focus on, execution is essential and the ELT needs to:

- recommit to collective accountability and leadership of the Ministry. While it may need to continue to work on itself, this must be done while working collectively on the Ministry and the system
- use system thinking to systematically and relentlessly drive for results both within the Ministry and across the system
- deliver on agreed actions and hold one another to account
- use 90-day plans, developed at the enterprise level and reported to, monitored and owned by ELT collectively, to gain momentum and ensure all components of the Ministry move forward together during the transformation
- re-allocate resource (people and dollars) to ensure critical components of the Ministry's operating model are developed and rolled-out in a timely manner
- ensure that *Ministry on the Move* is properly resourced and systematically delivered, through deliberate staging, communication and engagement across all elements of the Ministry's target operating model. Documented implementation plans are essential
- develop the enterprise leadership capability of its third and fourth tier
- develop feedback loops so it sees itself clearly from the outside in.

Values, behaviour and culture

The Ministry's *Playbook*, which was released to staff during the PIF interview stage, sets out the culture, values and behaviours it believes are needed to deliver on the Health Strategy. The *Playbook* focuses on the importance of people to the performance of the Ministry. It identifies effective and skilled leadership at all levels and a strong culture as key to shifting health and wider social sector outcomes. The Ministry has identified that effective organisations need a combination of leadership types: strategic, operational and network/bridge-building leaders. A strong culture, in the case of the Ministry, is identified as one in which people are agile, resilient and focused on delivering results.

The Ministry has also agreed a set of behaviours, defined as the observable and measurable actions that must be displayed every day and should define the Ministry in terms of how it works. These include: "Drives results; Makes informed decisions; Values diversity, Actively collaborates; Instils trust and confidence; Cultivates innovation; Responsiveness to Maori; and Client-focused".

Finally, the Ministry has identified the values that define a high-performing public servant: Courage; Learning; Open; Curious; Absence of ego; Helpful; Team player; Teaching; Self-aware; Resilience and Self-control.

These are clearly aspirational statements of the preferred culture, behaviours and values and it is early days in the socialisation of them at the Ministry. In and of themselves they seem broadly appropriate to the strategy and role of the Ministry, though arguably they could have been narrowed down to those critical to this stage of the Ministry's transformation. More importantly, they appear to have been developed centrally and emailed to staff once settled, and came well into the transformation.

In our interviews for the PIF we sought feedback from a cross-section of the Ministry and its stakeholders on what the current culture, values and behaviours of the Ministry are.

We heard strongly that most Ministry staff are motivated by a strong desire to make a difference for New Zealanders and at a team level the Ministry is a good environment in which to work. Staff are passionate about their customers and jobs and indicate they are ready for real change, but they need to be engaged in it and prepared for it.

However, those within and outside the Ministry said that silos were still strong within the Ministry and the textbook target culture, values and behaviours needed to move to demonstrated culture, values and behaviours, led from the top and consistently modelled throughout the organisation and in dealings with stakeholders and partners.

The Ministry will struggle to drive more collaboration across the system, if it does not lead by example in terms of how the Ministry operates internally. A consistent message was that the Ministry must itself consistently model the culture, values and behaviours that are needed from the wider health system and social sector, if it is going to be successful in guiding the shifts required. At the moment there is a disconnect between reality and aspiration. See also: *Management of People Performance*. Staff noted that the culture, values and behaviour anchors were underdeveloped, along with voice of the customer work, in the transformation process to date.

An issue requiring attention in the Ministry is an apparent tolerance for what is at best described as a lack of respect for colleagues in pockets of the Ministry. This must be resolved if the Ministry is to achieve its desired culture and state of 'One Team'. At the time of writing the Ministry does not appear to be addressing the non-alignment of values despite this being a reasonably well-known and understood issue in the Ministry that has the potential to undermine any attempt to change the culture of the organisation. If the Ministry is to make progress in moving to its desired values, it must visibly and consistently demonstrate that negative behaviours are not acceptable no matter where expressions of those behaviours occur in the organisation.

For most, the transformation has stalled at restructuring, and without changes in culture, values and behaviours, new equally effective siloes are being formed.

Future focus for: Values, behaviour and culture

Day-to-day work on culture, values and behaviours needs far more attention. This work needs to be done in a collaborative manner, utilising strong customer insights to inform what is essential and co-designing to ensure engagement and ownership by staff and stakeholders. Open and systematic communication is vital for the Ministry to be well-positioned on this important component of any transformation. Internally, greater value may come from engaging and listening, rather than presenting, as staff and middle management have an important contribution to make to strategy and tactics and culture, values and behaviour. Building collaborative relationships and influencing skills is as important to organisational culture and performance as it is to system culture and performance. The Ministry needs to work out what *One Team* means internally before the Ministry can guide the system to an effective *One Team* approach.

Review

The Ministry provides a high-level quarterly report to the Minister on progress against its Output Plan and Strategic Initiatives and the ELT receives a similar report on a monthly basis. The financial and non-financial performance of the Ministry is included in these reports and is reviewed monthly by the Performance and Finance Governance Sub-committee of the ELT. The Sub-committee's focus seems to be mostly on the financial performance and the allocation of financial resources. The ELT, as a whole group, does not have a regular discussion about the progress it is making towards agreed performance measures for the Ministry.

The Ministry does not have a centrally agreed programme of review and evaluation of Ministry initiatives or of the initiatives that it funds in the health system. However, many teams commission reviews and evaluations to meet their own programme timetables, though with little apparent consideration of the collective impact on system participants. There are numerous examples published on the Ministry's website including independent strategic reviews, such as the Funding Review and the Capability and Capacity Review in 2015 that were commissioned to inform implementation decisions in relation to the Health Strategy, as well as reviews on specific issues related to health policy. In addition, reviews like *Putting People First quality review*, published in December 2013, look at opportunities for the Ministry to improve its services and the services of healthcare providers.

In many cases, the Ministry publishes reports about subsequent actions or decisions taken in response to reviews. These may include advice to the Minister, consultation on proposed policies, new initiatives or an implementation plan and progress report. This is an opportunity for the Ministry to demonstrate what it has learnt from the review, what will be different and how it is responding to feedback from customers and stakeholders. The evaluation for the Cancer Nurse Coordinator initiative over 2013 to 2015 is a good example. It provided an evaluation for each of the first three years of an initiative to improve the quality and timeliness of the care of cancer patients. Patient and stakeholder views were collected. The discipline of evaluating an initiative as it rolls out and sharing the experience of those involved helps to identify areas of innovative effective practice and also allows course-correction to improve the likelihood of successful outcomes.

Future focus for: Review

To achieve the desired transformation and fulfil its role as steward of the Health and Disability System, the Ministry needs to build on and deploy its evaluative skills and practices in a systematic way. This includes using the data collected by the Ministry and other government agencies as well as real-time evaluative processes to inform future decisions and allow for early course correction within the Ministry and the system.

ELT needs to model this performance improvement at the Ministry by:

- setting clear performance measures and outcomes for its own activities, and for the Ministry's strategic priorities
- being committed to evaluating progress
- taking performance improvement actions, including stopping projects that are not delivering results, and communicating decisions taken and the reasons for them
- driving a learning culture and feedback loops at an enterprise level to gain the full value of individual reviews undertaken at the Ministry.

Delivery for Customers and New Zealanders

Customers

How well does the agency understand who its customers are and their short and longer term needs and impact?

How clear is the agency's value proposition (the 'what')?

Performance Rating: **Needing development**



Operating Model

How well does the agency's operating model (the 'how') support delivery of government priorities and core business?

How well does the agency evaluate service delivery options?

Performance Rating: **Weak**



Collaboration and Partnerships

How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?

How well do the agency and its strategic partners integrate services to deliver value to customers?

Performance Rating: **Weak**



Experiences of the Public

How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?

How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?

Performance Rating: **Needing development**



Customers

The Ministry has multiple customers with the core customer being the people of New Zealand receiving health services. The Ministry has noted that it is trying to move from a focus on predominately transactional activity into relational activity. The Ministry has committed to being thoughtful and deliberate about every relationship, treating customers as unique individuals and groups, understanding the wider impacts of its actions on customers and their outcome, and to use its influence and other instruments to get the best possible outcomes for customers.

The Ministry has indicated that its recently released *Playbook* is designed to help put the customer at the centre of everything it does.

It is still early days for the Chief Client Officer role and Client Insights and Analytics business unit. To date there has been more progress on the data analytics component and there is much more to do to frame how the Ministry will undertake the customer insights function. Both are critical to fulfilling the potential of the *Ministry on the Move* transformation and the Health Strategy. The successful progression of current strategic priorities that came out of the Health Strategy is heavily dependent on the work of this team.

In order to gain some early momentum the Ministry has partnered with the Social Investment Unit¹⁰ of the Ministry of Social Development to assist with the data analytics components across two areas. This is a smart tactic, but it is just a partial solution to the wider need to put the customer at the centre of everything the Ministry and Health and Disability System do. It is unclear at this stage if this important work is adequately resourced and whether everyone in the Ministry understands that the work done in the customer space must be the foundation of all future policy and operations work in the Ministry and across the system.

Future focus for: Customers

The Ministry needs to:

- fully understand its customer base, starting by using data to segment customers by health needs
- understand the current state through insight from the voice of customer to identify the current pain points customers face when dealing with the Health and Disability System
- in order to define the desired future state, engage directly with customers to understand how they expect to deal with the system in the future
- use robust customer insights, data and analytics to inform policy development and to underpin strategy and policy advice to the Government
- shape specific health system and Ministry 'offers' from direct customer engagement
- work with customers to co-design how they will experience the Health and Disability System in the future
- continuously capture the real-time experiences of customers, to keep all parts of the system honest against the 'offers' made
- disseminate customer feedback to all corners of the Health and Disability System, enabling a customer-driven performance culture
- ensure the Client Insight and Analytics business unit is resourced and evolves quickly to deliver on this.

¹⁰ From 1 July 2017 the Social Investment Unit became the Social Investment Agency, a departmental agency hosted within State Services Commission.

Operating model

The Ministry considered a range of target operating models to support the organisation to deliver on the Health Strategy. The target operating model adopted was selected because the Ministry felt it best reflects its role as steward of the Health and Disability System and covers the following 11 components: Customers; Channels; Services; Processes; Information; Technology; Organisation; People; Location/Facilities; Funding Model and Providers. The Ministry has identified that it will invest in providing new services to enhance its role as steward and drive a social investment approach in the Health and Disability System.

The Ministry has indicated that current activities to move towards its target operating model are focused on:

- Setting up the Client Insights and Analytics business unit
- Establishing a social investment capability and framework which will have three components:
 - A system-wide customer framework to establish a common understanding of customer types, cohorts, personas, etc, that will be invested against
 - A system-wide outcome framework to ensure that across the Health and Disability System there is a common set of measures to monitor performance and outcomes for customers
 - A system-wide commissioning framework that explains how the Ministry will commission/fund services for customers and assess the impact against the national outcome.

The Ministry has stated that delivering the target operating model will require:

- enterprise-wide changes focused on leadership and management capability, culture, values and behaviours
- the measurement and management of organisational performance
- supporting business units to transform so they are effective, efficient and aligned with the Ministry's strategic direction. This involves people, process and technology changes to support a step change in performance
- initiatives to enhance the Ministry's strategic role, including through agreed principles to guide business decisions about what to stop, start and continue, as well as supporting strategic changes to improve the Ministry's stewardship role.

The Ministry has developed a new strategic architecture that shows where the new target operating model fits into its wider business strategy in order for staff to better understand the connection between the Ministry's changing role and the need for a new operating model.

The Ministry named its operating model transformation: *Ministry on the Move*. This programme was structured in two phases – high-level operating model design and organisation design and implementation. While initially an amount of resource was allocated to the business transformation programme, the amount was quite modest compared to that seen in other agencies undergoing significant change to their operating models. Moreover, the resource provided was reduced in response to other operational requirements.

Nevertheless at an early stage a transformation methodology was developed. This includes: current state diagnostic and voice of customer baselines; articulating the case for change; future state required outcomes; operating model design principles; co-designed target operating model options; cost benefit analysis and success factors; target operating model operation assessment; key shifts; proposed 3rd and 4th tier organisation design and role descriptions; consultation plan; job descriptions; appointments to role; go live and post implementation support.

While attempts were made early on to govern the transformation in a systematic and holistic manner, this has fallen away. Individual ELT members have advanced restructuring of individual business units at different paces, with variation to the degree to which there has been true transformation as opposed to straight restructuring. Some teams, like the Service Commissioning business unit, have used 90-day plans to guide and monitor progress, while most others committed to do so but have either not begun or not maintained the process. There is a *Ministry on the Move* Governance Group which monitors the progress of each transformation project, however, ELT has not monitored the overall progress or held one another to account for progress against agreed enterprise-wide priorities/milestones, rather relying on informal discussions and ad hoc meetings.

Importantly, individual ELT members have decided where and when new ways of operating across the Ministry will be utilised as opposed to work being carried out within the business unit. Not surprisingly the most progress has been made where the ELT member directly controls the resources necessary to make progress. Unfortunately, the business units which were to contribute some of the missing components of the new operating model have lagged behind. Few collective decisions have been taken to ensure priority is given to some of the new components, including through the reallocation of resource across the Ministry. Progress has therefore tended to be piecemeal, rather than transformational. The Ministry struggles to write a compelling performance story because it does not have client analytics/data, social investment models and an investment story.

The ELT's monthly report for February 2017 records *Ministry on the Move* as on target, but little additional information is provided. The draft Four-year Plan covers the same high-level architecture provided in other Ministry documents. Frontline staff see that the person their manager reports to has changed, but little else. In most areas specific job position descriptions are unchanged. We heard from internal and external sources that, unless a more systematic and well-resourced approach is taken to *Ministry on the Move*, the Ministry is fast creating new silos that work just as effectively as previous ones.

External partners across the health system and social sector report that, if anything, business as usual, strategic priorities and the development of new effective partnerships and collaborations have stalled during the restructuring and many of the pre-existing channels are harder to work through. At this stage, it is unclear whether the target operating model will result in more than a restructure as only modest work has occurred at other layers of the operating model and it is not clear where the planning is for the remainder.

Future focus for: Operating model

To be well placed on *Operating Model*, the Ministry needs to:

- embrace customer-centric design and delivery of services
- utilise a portfolio approach. In particular, the ELT needs to pay particular attention to:
 - identifying those initiatives that will have the biggest impact on outcomes and oversee their delivery
 - clearly sequencing activity across time
 - being clear about where existing activity is being managed to improve efficiency and free up resources for re-investment, where investment in new initiatives is required and where the Ministry needs to create longer-term investment options
 - engaging with those who could help define each element of the portfolio and whose active partnership will be needed to deliver the results
 - managing the portfolio on a tight time cycle to ensure pace with regular, structured decision points that force a tighter focus as they develop, e.g., by applying and skilfully using a 90-day development cycle and a ‘tight-loose-tight’ management system
- build trusted, constructive partnerships with other State Services and Health and Disability System stakeholders
- build a culture, from the ground up, which supports the Ministry’s way of working. Some of the cultural characteristics likely to be important include: being results driven and systematic in pursuit of its purpose; being collaborative, open and curious; having an outward orientation that enlists external support to the Ministry’s strategy with a well-integrated, internal ‘one team’ approach, and giving and taking the responsibility necessary to be innovative and responsive.

Critically, the Ministry must recognise that it has a limited window of opportunity to demonstrate it can lead the system. It must move quickly to identify strategic actionable priorities and demonstrate concerted and purposeful activity. It must be able to quickly demonstrate it is capable of driving change both internally and externally to gain and retain essential support of stakeholders.

The Ministry does not have the luxury to spend the next two years completing its internal transformation before it takes concrete, systematic steps to transform the Health and Disability System. Though the Ministry has a number of competent staff working on its internal transformation programme, *Ministry on the Move*, the current resources and capability allocated to do this are insufficient for the scale, scope and timing of the changes required.

The ELT needs an effective transformation team sitting alongside it to ensure it can deliver substantial changes at all levels of its operating model and most parts of the wider Health and Disability System. It must use standard change management techniques to systematically manage the transformations and to enable clear prioritisation, sequencing, resourcing and delivery of initiatives.

Collaboration and partnerships

In the collaboration and partnering space, the Ministry has indicated that its strategy is to move from a focus on predominately transactional activity into relational activity. This requires a sophisticated understanding of the wider impacts of its actions through its relationships between services, providers, customers and outcomes and the use of incentives, influence, interventions and innovation to get the best value and equity out of the Health and Disability System.

The Ministry has a wide range of partners and providers, including system leaders, unions, iwi, non-governmental organisations, academics, business leaders and other government agencies.

The Ministry has regular, formal and informal, engagement with DHB Chairs and Chief Executives. A similar approach is used with business leaders and academics. The Ministry is increasingly contributing to cross-sector initiatives, for example, the work on vulnerable children, mental health for those incarcerated and domestic violence.

In its current draft Four-year Plan, the Ministry notes that to be recognised as a trusted, confident, effective leader of the Health and Disability System, it must build constructive partnerships with other State Services and system stakeholders. The Ministry has indicated that to support these partnerships, it will first focus on its internal relationships, fostering effective partnerships across the Ministry. On its own, this is unlikely to be sufficient.

The Ministry noted that significant work is still required to get the outside voice into strategy and policy development and implementation. Putting the consumer at the centre of its engagement is recognised as key and this will be led by the Chief Client Officer. To support a more disciplined and deliberate approach to stakeholder management the Ministry is planning to develop a formal communication strategy and develop and implement a plan for stakeholder engagement. This is long overdue and the Ministry needs to advance this with urgency.

While the Ministry has set out in planning documents the importance of partnership and collaboration, throughout our interviews with partners and Ministry staff, there was a virtual consensus that the Ministry has failed to collaborate and partner effectively and that this needs urgent and concerted correction. We heard universally that the Ministry's relationships are at an all-time low. Partners and Ministry people consistently expressed a desire for the Ministry to work with others to:

- talk about and work on big issues confronting the Health and Disability System
- be visible across the country, especially in the regions and with the DHBs
- be clear on what needs to be done nationally, regionally and locally and then do it systematically, lining up the right players in the system to get it done using strong co-creation methodologies
- ensure frontline Ministry staff are able to engage externally because they know what is happening at an enterprise and system level and have answers to relevant questions
- ensure Ministry people are secure about their competency and role in the future system, so they are confident to engage

- use a structured 'relational building' plan and build a sense of urgency around the need to do some things differently
- keep partners informed on plans and progress as the Health Strategy is implemented.

Future focus for: Collaborations and partnerships

The Ministry needs to:

- bring to the table the voice of the customer and customer insights
- develop an early and high engagement strategy, preferably involving co-design when it deals with emerging policy issues, develops strategy, implements policy or delivers services
- similar to customer work – understand, prioritise and respond to the pain points of its business critical partners
- while progress is being made on collaborating with cross-sector agencies, bring a holistic view of the customer to the table rather than a clinical view and be prepared to help social sector partners work across a fragmented Health and Disability System
- develop a social investment approach. This is vital to the Ministry's future ability to measure the impact of its collaboration in terms of delivery of value to and for customers
- urgently develop a communication and engagement plan. The plan needs to leverage the enterprise capability of the 3rd and 4th tiers.

MotM Case Study: Sector engagement

In August and September 2017 the Ministry facilitated five regional workshops, involving approximately 270 participants representing DHBs, non-government organisations, regional networks, technology providers, primary healthcare organisations, professional associations, charitable organisations, unions, advocates, government agencies, health professionals and consumers.

Workshops were interactive and innovative, with all participants sharing thoughts and ideas on an equal footing on actions taken to support the Health Strategy.

Feedback from participants was positive. They enjoyed the style of engagement, felt heard, and requested more of it.

Participants at all venues presented the Ministry with a strong message that they would value more engagement with the Ministry, particularly engagement in two-way conversations about strategically important matters and the direction of the Health and Disability System.

Participants were canvassed about the channels through which they would prefer this engagement to occur. The Ministry is using this information to shape an increased focus on meaningful stakeholder engagement that will be integrated into its work programme as standard practice. Initial work is being led from Service Commissioning, the Office of the Director-General and Strategy and Policy business units.

The Ministry expects this work to improve stakeholder engagement, if successful, will enhance the Ministry's position as steward and leader of the Health and Disability System, support cross-sector relationships and sharing of information, and improve the visibility and relevance of the Ministry.

Experiences of the public

The Ministry provides specific services to the public, purchases services directly through national contracts and funds the purchase of services regionally through the DHBs. It intends to expand its use of customer insights and feedback, combined with data analytics, to improve its policy advice and system stewardship to drive better health outcomes.

Services provided directly by the Ministry

The Ministry provides payments and call centre services for health providers and consumers. It also publishes a wide range of health system information. The Ministry receives over half a million calls each year; these calls indicate there are substantial opportunities to improve processes and systems within the Health and Disability System and at the Ministry, and some of those improvements will lead to improved health outcomes for individuals.

Selected stakeholder feedback has been collected as part of a strategic assessment of the Ministry's payments and call centre services. However, the Ministry does not have mechanisms to capture and act on information about the specific issues that are driving these calls, address particular issues in real-time and ensure the Ministry is meeting providers' and customers' expectations for all its services. This would be a rich source of information to improve the value the Ministry delivers for the Health and Disability System.

Services provided through national contracts or regionally through DHBs

The Ministry seeks a deeper understanding of the needs of health customers and what investments make the most difference to health outcomes. This will be a key underpinning for successful implementation of the Health Strategy.

The Ministry already has a track record of collecting experiences of the public about personal health and health services, principally through the New Zealand Health Survey, one of a number of specific national data collections supported by the Ministry. The objectives of the New Zealand Health Survey are, broadly, to monitor: self-reported physical and mental health of New Zealanders; trends and risk factors for certain long-term conditions; individuals' experience of health services; emerging issues; issues for specific population groups as well as health outcomes before and after a policy change or intervention. It includes Official Statistics, allowing comparison with health statistics and trends in overseas jurisdictions.

The findings are published annually and the data is available to Ministry analysts, DHB staff and external researchers for further analysis. Knowledge gained from the New Zealand Health Survey helped determine the direction set out in the Health Strategy.

Strengths of the Health Survey are the consistency of the core questionnaire, monitoring for trends over time and capturing the views of particular population groups. At a national level it can highlight emerging issues and where further detailed investigation should be undertaken to improve health outcomes. However, it has limitations. In particular, the survey does not fully capture the detail of customers' experiences. Also, at a district level findings may not accurately reflect the overall health and experience of local customers and population groups, leading to erroneous conclusions about the local level of health needs.

The team responsible for the Health Survey has sought feedback on improvements that would help other teams, however the opportunity and strategic value of the survey may not be well-enough understood within the Ministry.

Another source of information about experiences of the public is the primary care patient experience survey, which went live in February 2016. The Ministry expects that general practices will take up the survey during 2016/17.

Future focus for: Experiences of the public

The Ministry needs to:

- develop and implement a strategy, working with health and social sector partners, to upgrade and join-up data collection and feedback mechanisms on the experience and needs of customers
- provide district level results that accurately reflect the experiences of local population groups
- collect information about the experience and needs of customers and providers using the Ministry's own services to:
 - develop more effective measures of the quality and value of services provided
 - inform design and investment decisions, such as for the re-development of systems and processes for Sector Operations
 - monitor the effectiveness of sector engagement across all levels of the Ministry.

Relationships

Engagement with Ministers

How well does the agency provide advice and services to Ministers?

Performance Rating: **Well placed**



Sector Contribution

How effectively does the agency contribute to improvements in public sector performance?

Performance Rating: **Needing development**



Engagement with Ministers

The Ministry appears to do a reasonable job of providing advice and services to Ministers with Ministers expressing satisfaction with their relationship with the Ministry. Ministers felt the Ministry was pretty responsive and timely in providing advice and generally delivered advice consistent with the 'no surprises' expectation.

In its recent restructure the Ministry has created an Office of the Director-General business unit responsible for Government and Ministerial services, internal and external communications, assurance and risk management and providing support to the Director-General of Health, Ministers and the ELT. This unit is introducing a number of disciplines across the Ministry to support its public sector and ministerial servicing responsibilities and over time is intended to strengthen consistency and strength of policy advice and practices along with strengthened understanding of the role of public servants across the Ministry.

Ministers expressed a desire to see the Ministry taking more of a visible leadership role with the sector and inter-agency collaborations. In doing so it would strengthen its role as the sector and system steward providing Ministers with increased confidence and assurance that the advice and services they are receiving are as good as they could possibly be. Ministers acknowledge that this is the Ministry's intention, however expressed a desire to see the Ministry increasing its pace and focus in this regard.

Ministers have also expressed a desire to see the Ministry increase its expertise and depth of involvement in the government's social investment programmes and is seeking a broader social system lens from the Ministry. The Ministry is responding to this directive by expanding the scope of its work on the Mental Health Strategy and through its lead in driving Enabling Good Lives.

Future focus for: Engagement with Ministers

The Ministry must be able to demonstrate how its leadership and dynamic engagement with the wider health system, the public and the state sector's social investment approaches are underpinning and informing its provision of comprehensive advice to support Ministers' and the Government's decision-making.

Sector contribution

A number of interviewees noted that the Ministry has made increased efforts in recent months to participate in a number of inter-sectoral fora centring on social investment initiatives and programmes being worked on across the State sector.

Although it participates in projects the Ministry is often viewed as coming to the table late, with an uncertain mandate. This gives the impression that the Ministry is unable or unwilling to commit to inter-agency projects or that it does not see the benefits of the investments proposed.

The Ministry is viewed as being at the very start of the learning curve and yet to achieve the required paradigm shift of how to work in the 'social investment' model rather than operating in the more traditional and narrow 'health' view. This evidences itself as the Ministry only thinking about 'its patch' or the role the health system plays in relation to the person's health need rather than taking the wider 'needs of the customer' viewpoint and then considering how those needs can be better met by the State sector working collectively.

Other agencies also report that the Ministry does not seem prepared or able to lead in the inter-agency setting, appearing reluctant to step into the leadership role even where the collaboration would point to the lead being largely with the health portfolio. This may reflect the Ministry's relatively immature understanding of how to operate in the social investment setting and in cross-agency collaborative work regardless of topic. Other agencies voiced concerns that the Ministry does not seem to appreciate the gap between its own modus operandi and that of the more advanced agencies and how to be an effective collaboration partner in a social investment paradigm.

A further issue raised is the Ministry is not yet mobilising appropriate resource to support social investment initiatives. A number were concerned that the Ministry is increasingly struggling to align its involvement in inter-sectoral initiatives with the transformation of the Health and Disability System envisaged in the Health Strategy. For example, unless the Ministry can develop a DHB funding model that supports and aligns with inter-sectoral approaches to areas such as improving care and support for people with mental health issues, progress to improve outcomes for customers will be slowed. This highlights the complexity of the inter-relationship between the need for the Ministry to perform at both the public system and health system levels concurrently and with congruity.

Future focus for: Sector contribution

The Ministry needs to:

- invest in its capability and resources to become an effective leader and contributor to health and social system programmes and outcomes
- broaden its perspective of the value and ways in which it can contribute to improving the lives of New Zealanders by moving from an agency lens to committing to system solutions and outcomes, building on Health Strategy themes to achieve integration. To achieve the improved outcomes for some of our most vulnerable population groupings, the Ministry will need to work from a position deeply informed by customer insights and analytics, in the context of moderated clinical perspectives to enable innovative and effective solutions.

MotM Case Study: Sector collaboration to improve outcomes for children at risk

The Ministry has contributed to cross-agency work for children experiencing poverty and ill treatment, including to elements of the programme led by the Ministry for Vulnerable Children Oranga Tamariki, such as:

- the Hand in Hand Book, which brings together information about universal health and education services for caregivers, was published in June 2017
- groundwork for a proposed review of the process for assessing children going into care and development of an initial programme of work
- a proposal to trial improved mental health and neurodevelopmental assessment capacity for teams assessing the needs of children going into care
- analysis of the health needs and service experience of children and young people in care to inform policy and service design across agencies.

People Development

Leadership and Workforce Development

How well does the agency develop its workforce (including its leadership)?

How well does the agency anticipate and respond to future capacity and capability requirements?

Performance Rating: **Needing development**



Management of People Performance

How well does the agency encourage high performance and continuous improvement amongst its workforce?

How well does the agency deal with poor or inadequate performance?

Performance Rating: **Weak**



Engagement with Staff

How well does the agency manage its employee relations?

How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

Performance Rating: **Weak**



Leadership and workforce development

The Ministry is undertaking an ambitious restructure of its organisation to align its capability with the Health Strategy and its target operating model. Over the 12 months to February 2017 this has seen a restructure of the ELT with the creation of a number of new leadership roles and the subsequent alignment of existing business units to ELT roles. In addition each of the new business units is undertaking its own restructure to align roles with the Ministry's target operating model to deliver the Health Strategy, with 12 restructures completed to date. This is a considerable undertaking with many roles in the Ministry being impacted to varying degrees in the process. A further 8 business unit restructures are anticipated in the next 12 months.

After a relatively lengthy transition from 'old to new' the new ELT has been in place for approximately 6 months and during that time has invested considerable amounts of time in forming its collective leadership model. The leadership team was deliberately designed to include a broad range of backgrounds and experiences. ELT has made use of external coaches to support its leadership development and has embraced a number of tools to support its leadership thinking. Despite this the team has not yet managed to embrace the strength that its collective expertise and experience offers the organisation.

This is mirrored further down the organisational structure. The Ministry introduced a Leadership Development programme approximately 4 years ago identifying a cohort of 200 Emerging and Developing leaders. This programme has been supporting specific development of those individuals, working on the basis that strengthening the individual's capability will benefit leadership capability of the organisation; this is reported to be delivering some good outcomes. However, the organisation has not yet taken the next step of identifying the collective leadership it wants to achieve. The absence of this element contributes to the siloed leadership of the Ministry and impacts on the organisation's ability to work as one team internally and externally.

The Ministry's approach to development of its overall workforce is inconsistent and is very reliant on the skills and approach of individual managers. Some staff we spoke to reported having no personal development plan in place and not having participated in any professional development or training during their tenure with the Ministry. Others reported they were supported to remain current through continuing professional development and practice. This leads us to conclude that the Ministry does not have a global talent management strategy or approach that is universally applied for all staff. Furthermore we were advised that in the last 12 months the Ministry has cut its Capability Investment budget from \$1.6m to \$1.2m. This combined with the reduction in funding for the *Ministry on the Move* transformation is concerning and has significant risk associated with it given the extent of change resulting from the restructures.

Management of people performance

The Ministry staff reported variable approaches to performance management but with a consistent theme being that performance management practice was poor or limited in general.

While the Ministry is currently considering a comprehensive performance management and remuneration framework, there is no consistent approach applied by managers in the Ministry to performance management. Some staff report they do not have performance discussions or plans with their managers. This is supported by data collected by Human Resources which indicated that as few as 40% of staff have formal performance feedback discussion with their managers. While many know of business unit targets, these are not connected or linked to any personal performance measures or targets. It is hard for some staff to know or understand what they would need to do to progress in the Ministry. This seems quite common across the Ministry and there does not appear to be any notion of career plan or pathway operational at this time.

Staff who join the organisation report that they did not receive a formal induction and that new recruits are left to find out 'how things work around here' themselves. While some staff reported being supported by a buddy in the early days of their time with the Ministry, this has been variably useful being dependent on the buddy themselves rather than any formalised buddy programme, which supports new staff. Staff report that the lack of a formalised and comprehensive induction significantly compromised their ability to perform and delayed their effectiveness due to lack of information, for example, not knowing where to store or find files and information through lack of IT systems orientation. There does not appear to be visibility of these issues higher up the organisation.

There is a perception that poor performance is not well managed by the Ministry. This can be a common perception in organisations due to the necessity for confidentiality in working through performance-related matters. The way in which this is experienced at the Ministry is subtly different and relates to many aspects of the organisation's culture and operating ethos rather than performance of individual roles. Staff expressed views that there are the 'official values' of the organisation and then there are the 'real values'. Examples of the 'real values' include 'knowledge is power', 'just look after your own team and don't worry about the rest' and lack of trust across the organisation. This means that behaviour expected within a team may be unhelpful to, and will be judged as poor performance by, others. See section: *Values, Behaviour and Culture* for more details.

Engagement with staff

Ministry staff report communication regarding the *Ministry on the Move* has deteriorated over the six months to February 2017. Prior to that period, staff had felt relatively well-informed and supported to engage with the *Ministry on the Move* process, the Ministry's intentions and the changes it was seeking. This is no longer the case. Staff report, variably, that they may have had little contact with senior leaders in the organisation or communication from their managers regarding the process. Those who have received updates from their managers struggle to understand how the updates relate to the wider organisation with initiatives appearing ad hoc or unrelated.

While staff generally remain committed and supportive of what the organisation is seeking to achieve, they report struggling to understand what is required of them in the absence of engagement and communication. This is having a negative impact on staff morale and motivation.

A number of the staff interviewed raised concerns that they are never asked for input in relation to aspects of their role or business unit where they have subject matter expertise or relevant experience. An example of this is where staff expressed concern that the Ministry is making decisions that impact on its direct interfaces with customers and healthcare provider partners with no opportunity for staff to provide real life insights and intelligence into the nature and characteristics of those interfaces. Staff are concerned that failing to take such matters into account in the redesign of roles, systems and processes risks negatively impacting on the experience of, and engagement with, those key stakeholders.





This apparent reluctance to engage with its staff is also reflected in the Ministry not having undertaken a formal Staff Engagement Survey since 2015, despite undergoing a significant restructure programme. The lack of any formal feedback mechanism for staff over such an intensive period of change risks the leadership of the organisation not recognising organisational level concerns or shifts in morale. Interestingly when the Ministry recently asked for feedback on its draft Behaviours Statement, staff took the opportunity to provide meaningful feedback on a range of topics which might normally have been explored in an Engagement Survey. It is unclear to what extent this feedback is being considered.

Future focus for: People development

The Ministry needs to:

- allocate resource and capability to develop its leadership ethos and practices
- develop a clear understanding of its workforce needs both now and in the future, based on clarity of its role, purpose and strategy. This includes identifying the competencies required to work for the Ministry and investing in the professional skills and capabilities individuals would need to bring to their roles
- address cultural non-alignment through implementing consistent and comprehensive people management practices across the whole Ministry, including establishing:
 - clear performance expectations and measures for staff collectively and individually that tie to the Ministry's overarching objectives and reflect the values and behaviours expected
 - robust performance assessment and feedback at all levels in the organisation
 - clear performance development plans for all staff
- support staff to deliver *Ministry on the Move* by introducing regular, timely and considered two-way communication and engagement with all staff using a range of mechanisms and channels that consider the organisation's strategic imperatives, geographically dispersed nature and function-specific aspects
- be open to, and value, the perspectives, viewpoints and expertise of staff, recognising their commitment to making the Ministry the best it can be.

Financial and Resource Management

Asset Management How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?
Performance Rating: Needing development 
Information Management How well does the agency manage and use information as a strategic asset?
Performance Rating: Needing development 
Financial Management How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
Performance Rating: Needing development 
Risk Management How well does the agency identify and manage agency and Crown risk?
Performance Rating: Needing development 

Asset management

The Ministry's own asset management

The Ministry completed its first Long-term Investment Plan 2016 – 2026 in December 2016 as part of preparation for Budget 2017. The Ministry's own asset base (\$49.1 million) is small compared to that of the health system and 70% of its non-current assets relate to IT systems. Most of its corporate systems are at the end of their useful life. Over time there has been significant under-investment in technology solutions needed to support its own work and that of the health system.

The Long-term Investment Plan outlines planned investments the Ministry will focus on to lift its own capability and to provide a modern digital infrastructure for the Health and Disability System, where a national approach makes the most sense. The investments are clearly linked to key initiatives to support implementation of the Health Strategy. The plan is necessarily indicative in terms of overall costs; business cases have yet to be completed.

Improving asset management practices for the Health and Disability System

The Ministry recently established a Health Asset Management Improvement Group in partnership with DHBs and the Treasury with the intention to lift asset performance and investment management in DHBs. This is an excellent initiative. The Treasury's first Investor Confidence Rating for the Ministry is 'C'. This is a credible first rating and covers the Ministry's owned or leased assets, as well as major projects, such as hospital rebuilds, managed on behalf of individual DHBs.

Information management

Data and information governance

The Ministry's total annual expenditure on health information systems is over \$63 million (\$50 million departmental and \$13 million non-departmental). The departmental expenditure is almost a third of the Ministry's total departmental expense. The Ministry does not publish any data about whether these systems meet the users' needs.

The Ministry has recently established a Data and Information Governance Group to provide "strategic leadership of the Ministry's work programme for improving data and information sharing, use and re-use." The Group will determine the Ministry's strategy for data and information sharing and oversee the Ministry's information assets. At the time of the review, the Ministry was planning to appoint a Lead Data Steward (reporting to the Chief Client Officer) to establish and oversee the data and information work programme and to be the Ministry's Open Data Champion.

The Ministry's own information and corporate records

The Ministry's management of its own information and corporate records needs an overhaul, as signalled in the Long-term Investment Plan. Staff across the Ministry cannot readily ascertain what documents are held on particular topics or even whether such material exists, as there is no central store or indexing system for document management. An indication of this is the devolved management of official information requests (1,171 received in the year to 30 June 2016) for which there is no oversight or tracking and no central repository of questions and responses.

The Ministry's website is used as an information repository and key communications tool for the health system and health consumers. It contains a wealth of material but is not well-curated, holds much out-of-date material and is hard to navigate.

Health system information

Over many years, the Ministry has made a significant investment in the collection, publication and secure storage of health system information. The relevant datasets for the national collections and national population health surveys are available to Ministry staff and 15,000 external users – sector participants and researchers – to support planning, policy and research programmes. Security and audit controls are built into the Ministry's systems. The Ministry and the health system are required to comply with the Health Information Security Framework, which was updated by the Ministry in 2015, to ensure health data are adequately protected.

The Ministry also contributes data from 15 national collections to the Integrated Data Infrastructure (IDI) and it reports that valuable findings are emerging from IDI analysis, for example, client risk profiling and service mapping for the 0–5s and youth funding reviews.

Apart from the national collections, the Ministry supports six key systems used widely across the health system: National Health Index; National Immunisation Register; online pharmacy claiming; special authorities; the Oracle financial system and the Ministry's website (see notes above on the website). These supply core functionality to enable the efficient management of the Health and Disability System.

The Ministry has recently developed Digital Health 2020 in response to the Health Strategy, to drive a uniform information platform and a consistent data approach across the health system. This is discussed further in Core Business 2: *Building system capability and capacity*.

Financial management

In March 2016, the role of Chief Financial Officer was elevated to the ELT, signalling the expectation of a lift in the strategic contribution of this role and of the Finance and Performance function. This is appropriate as Vote Health is 20% of total Government expenditure. The Finance and Performance Group was one of the first business units to be restructured as part of *Ministry on the Move*, to bring together specialist skills that had previously been embedded in teams across the Ministry. A further restructure is planned in 2017 to refine the group's operating model and structure.

It is early days, but there are encouraging signs of a more strategic approach to financial management, such as: the first Long-term Investment Plan for the Ministry; regular, strategic engagement with DHBs' Chief Financial Officers; continuing improvements in the Ministry's performance reporting; a more strategic approach to assessment of options to improve Sector Operations and a refreshed approach to finance and performance governance.

Risk management

The Ministry is refreshing its approach to risk management. It has:

- established a new Risk and Assurance Committee with well-qualified external members
- appointed a new General Manager – Risk and Assurance, Chief Security Officer and Chief Information Security Officer
- plans to update its Risk Management Framework. In the meantime the Risk and Assurance team is working with business units to identify risks in their work programmes and actions to address those risks
- established a new Protective Disciplines Governance Group, with ELT membership, to oversee improvements in the Ministry's protective security arrangements.

Future focus for: Financial and resource management

The Ministry needs to:

- develop its view of what a financially sustainable Health and Disability System would look like and the likely paradigm shifts and investments needed to implement the Health Strategy and clarify how system investment decisions will be made
- firm up its Long-term Investment Plan, developing robust business cases for the planned upgrade or replacement of key national systems managed by the Ministry and clarifying the benefits to be realised
- implement a robust Risk Management Framework that supports the stewardship role of the Ministry and its strategic and operational plans.

Appendix A: Background to this PIF Review

In May 2016, the Lead Reviewers developed a draft Four-year Excellence Horizon for the Ministry. At that time the Ministry had recently moved to a new structure for the organisation and its ELT. People acting in the ELT positions had been confirmed. The Director-General of Health was in the process of recruiting permanent staff for those roles.

In August 2016, the Lead Reviewers met with the full ELT, after allowing them time to understand and test the performance challenge for the Ministry and what success would look like in four years' time. In discussion with the ELT, the Lead Reviewers confirmed the draft Four-year Excellence Horizon was appropriate.

A PIF Review of the Ministry was scheduled for February 2017 and the Lead Reviewers discussed with the ELT that they would be looking for evidence to answer these questions:

- Why:** Is the Ministry starting to articulate a compelling performance story to drive investment in lifetime health outcomes?
- What:** Is ELT prioritising the strategies, plans and actions that, organisationally and externally, are important to achieve success?
- How:** Is the Ministry developing an operating model that can deliver the Health Strategy and its strategic priorities? Critically, has ELT mobilised the Ministry to be a strategic partner, to engage and operate proficiently across the health system and with government agencies and with a clear view about the outcomes sought by customers?

To get traction on the priorities, the Lead Reviewers noted it was important for the ELT to engage its 3rd and 4th tier leaders in the transformation. The ELT needed to be clear about, and model, the enterprise leadership behaviours and culture it expects and to engage 3rd and 4th tier leaders in leading the new ways of working across the Ministry. This would start to embed new behaviours, processes and systems. The Lead Reviewers expected that by the time they undertook the PIF Review the Ministry, through its emerging operating model, should be increasingly recognised for its role in leading the New Zealand Health Strategy.

In February 2017 the Lead Reviewers conducted this PIF Review against the draft Four-year Excellence Horizon and largely reconfirmed the Four-year Excellence Horizon.

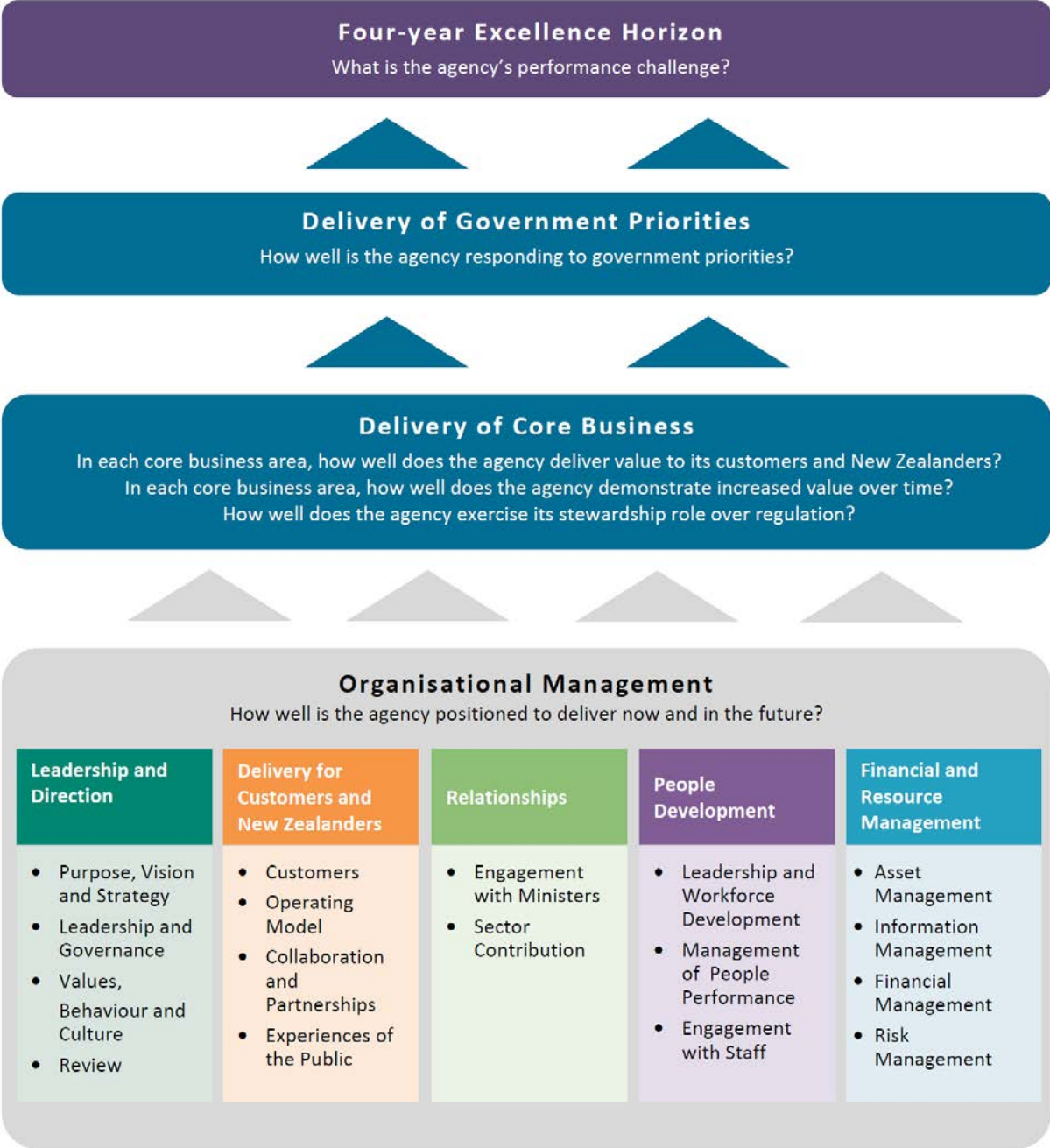
Appendix B: List of interviews

This review was informed by input from Ministers, Ministry staff, central agency officials and representatives from the following businesses, organisations and agencies:

Accident Compensation Commission
Auckland District Health Board
Audit New Zealand
Bay of Plenty District Health Board
BUPA Care Services Limited
Canterbury District Health Board
Capital and Coast District Health Board
Central Pacific Collective
Counties Manukau District Health Board
Department of Corrections
Emerge Aotearoa
Hawkes Bay District Health Board
Healthcare New Zealand
Health Promotion Agency
Health Quality and Safety Commission
Hutt Valley District Health Board
Intuitive Surgical, Inc
Lakes District Health Board
Medical Council of New Zealand
Ministry of Education
Ministry of Social Development
National Hauora Coalition
National Health IT Board
Nelson-Marlborough District Health Board
Northland District Health Board
Nursing Council of New Zealand
Office of the Auditor-General
Palmerston North District Health Board
Pasifika Medical Council
Pharmaceutical Management Agency
Platform Trust
PriceWaterhouseCoopers
Public Service Association
Rillstone Wells
Social Investment Agency
Southern Cross Hospitals Ltd
Southern District Health Board
The Salvation Army New Zealand
University of Auckland
University of Otago
Waikato District Health Board
Waitemata District Health Board
West Coast District Health Board
Whanganui District Health Board

Appendix C: Performance Improvement Framework

Overview of the Model



Lead questions

Four-year Excellence Horizon		
What is the agency's performance challenge?		
Results		
Critical area	Lead Questions	
Government Priorities	1. How well is the agency responding to Government Priorities?	
Core Business	2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders?	
	3. In each Core Business area, how well does the agency demonstrate increased value over time?	
	4. How well does the agency exercise its stewardship role over regulation?	
Organisational Management		
Critical area	Element	Lead Questions
Leadership and Direction	Purpose, Vision and Strategy	5. How well do the staff and stakeholders understand the agency's purpose, vision and strategy? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and Governance	7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change? 8. How effectively does the Board lead the Crown entity? (For Crown entities only)
	Values, Behaviour and Culture	9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?
	Review	10. How well does the agency encourage and use evaluative activity?
Delivery for Customers and New Zealanders	Customers	11. How well does the agency understand who its customers are and their short- and longer-term needs and impact? 12. How clear is the agency's value proposition (the 'what')?
	Operating Model	13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business? 14. How well does the agency evaluate service delivery options?
	Collaboration and Partnerships	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers? 16. How well do the agency and its strategic partners integrate services to deliver value to customers?
	Experiences of the Public	17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences? 18. How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?
Relationships	Engagement with Ministers	19. How well does the agency provide advice and services to Ministers?
	Sector Contribution	20. How effectively does the agency contribute to improvements in public sector performance?
People Development	Leadership and Workforce Development	21. How well does the agency develop its workforce (including its leadership)? 22. How well does the agency anticipate and respond to future capacity and capability requirements?
	Management of People Performance	23. How well does the agency encourage high performance and continuous improvement amongst its workforce? 24. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	25. How well does the agency manage its employee relations? 26. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	27. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?
	Information Management	28. How well does the agency manage and use information as a strategic asset?
	Financial Management	29. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	30. How well does the agency identify and manage agency and Crown risk?