

New Zealand public health agency imposes sweeping budget cuts in hospitals

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The agency that runs New Zealand’s public health system, Health New Zealand Te Whatu Ora, has ordered a raft of “emergency measures,” to clamp down on expenditure, claiming it cannot go into the new financial year operating in deficit.

Last Friday, Health NZ said the country’s public hospitals have been told to save a total of \$NZ105 million by July. The announcement was forced by media leaks revealing that 12 districts had to reduce a collective “overspend” of \$80 million.

The cost-cutting is being instigated amid a sweeping assault on the public sector as part of the far-right National Party-ACT-NZ First government’s austerity agenda. Over 3,500 public service jobs have been axed in a matter of weeks as Finance Minister Nicola Willis imposes annual spending cuts of \$NZ1.5 billion, up to 7.5 percent in each government department. The Ministry of Health has already cut 134 administration jobs from a staff of 800.

The public health system, which has been grossly underfunded and under-staffed for years, is particularly vulnerable. Health NZ is imposing immediate measures in hospitals to address “personnel related costs,” outlined in a letter to the senior doctors’ union, the Association of Salaried Medical Specialists (ASMS).

The fourteen demands include an end to double shifts and limitations on replacing sick staff. Every shift must include two people on annual leave “with minimal backfill,” to force people to use their leave before the end of the financial year. This will reduce the ballooning debt, but without adequate staffing it creates a grave threat to patient safety. Leave is often declined due to a lack of staff to cover.

Under the Care Capacity Demand Management system, data collected by staff at the start of a shift predicts the amount of nursing hours required to safely look after a group of patients. If there is a deficit, nurses can

theoretically be “borrowed” from other areas to fill gaps, but this rarely happens. Staffing shortages mean wards are often in deficit even without people being on leave.

Among other provisions, no new hires are to start in non-clinical roles without top-level approval, and only at existing pay rates. Vacant roles are to be closed permanently unless they are part of a confirmed “new structure.”

One leaked document revealed the Canterbury/Waitaha region is scrambling to save \$13.3 million by July. Consultants PwC have been engaged to implement a “financial sustainability target,” even as the government boasts it is slashing spending on consultants and contractors by \$400 million.

While short-term savings of \$13.3 million are required immediately, “continued performance improvement” is also demanded. “Focus areas” for savings included “prosthetic cost reviews,” doing away with “unnecessary procedures and tests,” and the use of artificial intelligence.

A recent PwC workshop with the hospital’s leadership team brainstormed 71 cost saving ideas, “36 of which have potential efficiency impacts.” “Optimising resources” such as hospital beds, operating rooms, and outpatient clinics would “minimise idle time and maximise productivity,” the document claimed, while a similar exercise with staff would result in “improved productivity and reduced cost.”

Newsroom reported that in 2020, under the previous Labour government, “relentless demands for cost-cutting” at the former Canterbury District Health Board led to the exodus of seven of the 11-strong executive team, including the chief executive.

Carolyn Gullery, a planning and funding director, told *Newsroom* at the time: “If you’re asking for the impossible, which is to strip more than \$90 million out without dropping any services and without dropping any

staff, you're kidding." A departing chief medical officer, declared "If you sack us all, which does look like the agenda, as you are trying to make us do something impossible, these problems will not go away."

Christchurch surgeon Professor Frank Frizelle recently told *Stuff* that the "whole pipeline" is challenged from anaesthetic technicians, to nurses, to operating space and doctors due to chronic underfunding by successive governments. "You can withdraw some services a little bit, [but] at some point you fall off the cliff. That's where we are now," he said.

The decision by the last Labour government to end its COVID-19 elimination strategy in late 2021 and adopt a policy of mass infection, has so far led to more than 4,000 avoidable deaths and 39,000 hospitalisations, exacerbating the crisis of unmet need across the health system.

Official figures show that in December 2023, 68,179 people were waiting longer than four months for a first specialist appointment—the number had almost doubled since September 2022—and 30,757 were waiting longer than four months for a procedure. One patient, 72-year-old Bob Menzies from south Auckland, told the *New Zealand Herald* on Saturday he had been waiting "in absolute agony" for over four years for knee surgery.

Emergency clinics are on the verge of collapse. Radio NZ reported last week that in one eight-month period last year 24 facilities reduced hours or closed due to critical staff shortage and cost pressures. In Porirua, home to 100,000 mainly working-class people north of Wellington, the overnight doctor at Kenepuru Community Hospital's accident and medical centre faces being replaced with a telehealth service.

Claiming that the latest cuts are "operational decisions made by Health NZ, not the government," Health Minister Shane Reti flatly declared that none will impact the level of care patients receive. "I have been assured that managing clinical risk and sustaining services is always Health NZ's top priority," he said.

Health sector unions rubbished the claims. ASTMS executive director Sarah Dalton said the cuts will "totally" affect the frontline—already in disarray because of "massive junior doctor gaps." "While we're still in a system that's underfunded, this pressure to make cuts is borderline immoral," she declared. NZ Nurses Organisation (NZNO) president Anne Daniels told Radio NZ that measures such as clamping down on overtime were "laughable."

The deepening crisis is, however, one in which the

unions are entirely complicit. Over decades they have collaborated with governments to enforce spending and staffing cuts and impose sell-out contract deals.

From 2018, the Labour-led government was confronted by a series of strikes by nurses, doctors and healthcare workers, as well as teachers and firefighters, demanding decent pay and safe working conditions. While these were systematically betrayed by the unions, they resurfaced amid the escalating cost-of-living crisis and desperate working conditions exacerbated by the COVID pandemic.

Following what one former nurse told the WSWS was a "measly" pay increase in 2021, last August the NZNO pushed through another below-inflation settlement after cancelling a one-day strike. The union's CEO Paul Goulter admitted the deal did not "provide a wage rise that meets the cost of living" nor address critical nurse shortages. "It is pretty light on important issues such as health and safety at work and minimum staff to patient ratios," he said.

Last September, after 5,500 senior doctors and dentists held part-day strikes—their first ever—further action was cancelled by the ASMS which recommended that members accept a settlement negotiated with the government's Employment Relations Authority. Executive Director Dalton admitted to Radio NZ that the union's claim for a pay increase that barely met inflation was "pretty conservative." She declared that this was because of "the climate that we're in."

In a sign that struggles of health care workers are ready to erupt again, 2,500 junior doctors will strike next month after voting to reject the latest pay offer from Health NZ. It is the first junior doctors' strike in five years, and will see a full withdrawal of labour for 25 hours on May 7.

The NZ Resident Doctors Association issued the strike notice after saying bargaining had reached an "impasse." While the offer contained a pay rise of up to 25 percent for some resident doctors, Health NZ's proposals included pay cuts or a freeze for nearly 600 registrars, including 300 GP trainees. The resident medical officer workforce currently has 500 vacancies.



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