



*“New Zealand’s peak body representing the entire health and medical research pipeline”*

## Oral Submission to Finance & Expenditure Committee on Budget Policy Statement (BPS) 2021.

31<sup>st</sup> March 2021

Thanks for the opportunity to present in person the New Zealanders for Health Research submission on the 2021 Budget Policy Statement.

We understand that the BPS is necessarily a high-level document which emphasises the importance of securing the economic recovery for New Zealand and supporting a bounce-back in employment to pre-COVID-19 levels.

NZHR also understands that priorities have to be set, that expenditure choices have to be made and that not all demands on government resources will be able to be met.

However even though the BPS is couched within a wellbeing framework our analysis is that wellbeing from a health perspective is unlikely to be significantly advanced if the 2021 Budget reflects the direction and tone of the BPS. With this significant concern in mind, we wish the Finance and Expenditure Committee to note the following four concerns:

### **Number one.**

Over the last few weeks I’m sorry to say that we’ve developed a degree of cynicism about the value of even making this submission.

Perhaps naively, we’ve assumed that there’s a linear relationship between the budget policy statement and the subsequent budget with the former, having been refined through a public consultation process such as this one, informing the final content of the budget itself.

So, we’ve entered into this process in good faith, assuming that it presents an opportunity to influence the content of the 2021 budget, albeit acknowledging that it is probably an extremely long shot.



Since submitting our written submission we've been advised by a well respected former government minister that the process is “smoke and mirrors”, and by a senior government official that the detail of the budget has already been determined, especially in those areas where NZHR has specific concerns.

So, even though we hope to be proven wrong we're not realistically expecting our submission to actually make any difference. However we owe it to our stakeholders who have genuine and deep concerns about the state of New Zealand's health research system to nevertheless go through the motions, and NZHR will regard this process as an opening gambit for influencing the outcome of both the 2022 budget and the 2022 BPS.

### **Number two.**

The 2021 BPS well being framework has regressed from that set out in last year's 2020 BPS.

The 2020 BPS expressed an intention for the 2020 budget to continue with the “wellbeing” approach adopted in 2019, as supported by the Treasury's Living Standards Framework (LSF) and Dashboard<sup>1</sup>, and that one of the key Dashboard indicators for health included the “number of years that a person under 1 year old can expect to live in good health, taking into account mortality and disability”.

These references are totally absent from the 2021 BPS where wellbeing has been diluted to Household Labour Force Survey derived overall life satisfaction scores. This may be appropriate as one possible measure of wellbeing, but is wholly inadequate as the only measure.

For the record, and as pointed out in NZHR's submission on the 2020 BPS we also believe that using life expectancy as a measure of wellbeing also has its limitations.

NZHR believes that the most fundamental aspect of wellbeing - the ability and right to live to a ripe old age - should be central to any discussion of wellbeing. In our view it follows therefore that a wellbeing framework that purports to provide the context for government budget development should at the very least focus on measures of amenable and non-

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<sup>1</sup> <https://treasury.govt.nz/sites/default/files/2019-12/lsf-dashboard-update-dec19.pdf>



amenable premature mortality, where the annual figures currently stand at 5000 and 7000 deaths respectively.

In any other context such figures would provoke outrage, but for some reason successive governments and their administrations seem to have accepted them as a normal unchallenged by-product of the country's dysfunctional health system.

### **Number three.**

The 2021 BPS is silent on the fiscal impact of the forthcoming health system reforms.

Given that Health Minister Andrew Little's "five key shifts"<sup>2</sup> speech of 24<sup>th</sup> March will have significant resource implications NZHR is surprised that the programme of health reforms is unreferenced by the BPS.

NZHR argues that there should be an additional sixth key shift which would see health research embedded as a key component of the health system.

We note that the late 2020 New Zealand Productivity Commission Draft Report "New Zealand firms: Reaching for the frontier"<sup>3</sup> draws unfavourable attention to the Health and Disability System Review recommendations where there is no reference at all to health innovation R&D.

Despite repeatedly highlighting this issue to the review panel itself, to relevant government ministers and to the head of the health transition unit, our concerns have been mostly unacknowledged and we genuinely do not understand why they are not being taken on board.

With health reform recommendations due to be presented to Cabinet in April NZHR is raising its concerns again, this time with the Finance and Expenditure Committee, in the hope that either government members will take the opportunity of escalating this issue to their Cabinet colleagues before it's too late, and/or that opposition MP's will take the

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<sup>2</sup> [The case for change in the health system - building a stronger Health and Disability System that delivers for all New Zealanders | Beehive.govt.nz.](#)

<sup>3</sup> New Zealand Productivity Commission (2020). New Zealand firms: Reaching for the frontier. Draft report. <https://www.productivity.govt.nz/assets/Documents/5a581e022b/Draft-report-frontier-firms.pdf>



opportunity of holding the government to account for what is shaping up to be a huge oversight.

#### **Number four.**

The 2021 BPS fails to highlight the importance of R&D investment as a key contributor to New Zealand's recovery and future economic growth, and we believe that New Zealand's current very low levels of R&D overall act as a handbrake to increased investment in health R&D.

NZHR is calling for government health research expenditure to be formally placed on a trajectory which would result in it being increased from 0.8% to 2.4% of health service expenditure over the next ten years. That's a three-fold increase on current levels.

In this context we note that the legally required triennial review of HRC funding is overdue and, had allocation decisions allegedly not been already made, the 2021/22 budget would have provided an excellent opportunity for this to have been addressed

Thanks for your time this morning. I'm happy to respond to questions.



## Submission on Budget Policy Statement (BPS) 2021<sup>4</sup>

### Introduction

New Zealanders for Health Research (NZHR) was established in November 2015 to bring about increased investment in health research from government, industry and philanthropy. We believe that health research has the potential to both save and improve peoples' lives. We are therefore committed to ensuring that the results of health research are translated into policy, practice and individual decision making, and for there to be a level of investment in health research to enable this to happen as optimally as possible.

### Submission summary

NZHR's submission is that the 2021 BPS should be amended to:

- include measures of amenable and non-amenable premature mortality as part of its wellbeing outlook
- include a discussion which acknowledges the importance of increased R&D investment as a key contributor to New Zealand's economic recovery, growth and wellbeing
- comment on the budgetary and wellbeing impact of implementing the recommendations of the Health and Disability System report
- send a strong signal that that the 2021 budget will provide for significant increases in health research investment as a key contributor to both wellbeing and economic recovery and growth

### Overview

The Government's Budget Policy Statement 2021 (BPS) was released on 9<sup>th</sup> February. It is a high-level document which emphasises the importance of securing the economic recovery for New Zealand and supporting a bounce-back in employment to pre-COVID-19 levels. Context is provided by way of a wellbeing outlook and how the wellbeing objectives are intended to support long-term wellbeing in New Zealand.

Although NZHR understands that priorities have to be set, that expenditure choices have to be made and that not all demands on government resources will be able to be met, our analysis is that wellbeing from a health perspective is unlikely to be significantly advanced if the 2021 Budget reflects the direction and tone of the BPS.

### Submission and recommendations

#### Health related indicators of wellbeing are inadequately addressed

NZHR is concerned to see that even though the wellbeing outlook component of the BPS identifies physical and mental health as components of "wellbeing", apart from the focus on mitigating the health and economic impact of Covid 19, there is in fact very little in the BPS which addresses health factors per se.

The 2020 BPS wellbeing outlook included commentary which suggested that the 2020 Budget should address health outcomes, including by implication life expectancy. NZHR's commentary at the time was to the effect that unless there was a specific mandate for focussing on extending the lives of

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<sup>4</sup> [Budget Policy Statement 2021 - 9 February 2021 \(www.parliament.nz\)](http://www.parliament.nz)



the already elderly, a better measure of wellbeing from a health outcomes perspective would be premature mortality (ie before the age of 75 years old).

Furthermore NZHR believes there should be two measures of premature mortality - amenable premature mortality and non-amenable premature mortality. The former can be addressed with a focus on improving how the health system functions and how well and efficiently it translates knowledge (ie the results of health research) into policy and clinical and individual practice; the latter can be addressed through greater investment in health research both locally and as part of the global health research community.

To elaborate further we draw attention to measures of amenable and non-amenable mortality. NZHR estimates that the amenable mortality figure in 2019 was approximately 5000<sup>5</sup>, which represents the number of New Zealanders under the age of 75 who died prematurely and unnecessarily because they and/or their clinicians did not make and implement decisions which would have enable them to live to an age consistent with other New Zealanders' life expectancy. Furthermore, New Zealand has been even less successful in preventing or ameliorating ill health and disability<sup>6</sup> than it has been in preventing premature mortality, and we also estimate that in 2019 there were a further 7000 New Zealanders under the age of 75 where the circumstances of their deaths were not considered to be amenable<sup>7</sup>.

NZHR is concerned to see that the 2021 BPS understanding of wellbeing has regressed since last year. Not only has there not been any uptake of NZHR's 2020 recommendations in respect of the importance of measuring and addressing through government budgetary appropriations premature mortality, the 2021 BPS, in contrast to the 2020 BPS, even fails to make any reference to life expectancy.

NZHR believes that the most fundamental aspect of wellbeing - the ability and right to live to a ripe old age - should be central to any discussion of wellbeing, and we are very surprised that it is not referenced at all, even by implication. The HLFs overall life satisfaction scores which the 2021 BPS relies on are appropriate as one possible measure of wellbeing, but are wholly inadequate as the only measure.

### **Recommendation:**

Measures of amenable and non-amenable premature mortality be included in the BPS wellbeing outlook

## **Insufficient attention to R&D investment**

<sup>5</sup> <https://nsfl.health.govt.nz/dhb-planning-package/system-level-measures-framework/data-support-system-level-measures/amenable>. The 2019 estimate was arrived at by applying the average annual rate of improvement in amenable mortality rates from 2012 to 2016 to the number of amenable deaths recorded in 2016. See draft amenable DHB Mortality Summary Table 2016, sheets SUMM 3 and SUMM 4.

<sup>6</sup> <https://www.health.govt.nz/publication/health-loss-new-zealand-1990-2013>

<sup>7</sup> <https://www.health.govt.nz/publication/mortality-2017-data-tables> . See Chart 01. Total no. of deaths < 75 = 12225. No of amenable deaths = approx. 5000. No of non-amenable deaths = approx. 7000.



New Zealand's current rate of R&D stands at 1.3%, comparable small modern economies report R&D investment rates of around 3%, the OECD average rate of R&D investment is 2.4% and New Zealand has a ten year aspirational R&D target of 2.0%<sup>8</sup>.

Even though the 2021 BPS refers to the role of innovation in the creation of new jobs and industries and improved productivity it fails to include the role of R&D investment as a key contributor to the bringing about of that innovation and contributing to New Zealand's recovery and future economic growth. Nor does it identify R&D investment as a key component of and contributor to the fiscal intentions and objectives set out in Table 5.

This is in contrast to the New Zealand Productivity Commission/ Te Kōmihana Whai Hua o Aotearoa Draft Report "New Zealand firms: Reaching for the frontier"<sup>9</sup>, which draws significant attention to New Zealand's very low levels of R&D compared to other small advanced economies.

The Productivity Commission report was commissioned by the Ministers of Finance, of Economic Development and of Trade and Export Growth requesting an inquiry into maximising the economic contribution of New Zealand's frontier firms, and noting that productivity growth is persistently weak and a significant drag on living standards and wellbeing.

NZHR is mystified as to why the Minister of Finance would be party to expressing dissatisfaction with New Zealand's productivity on the one hand, and then on the other be endorsing the 2021 BPS through the document's foreword, when the BPS almost completely fails to address any of the previously raised economically significant productivity concerns.

#### **Recommendation:**

The BPS includes a discussion which acknowledges the importance of increased R&D investment as a key contributor to New Zealand's economic recovery, growth and wellbeing

#### **Lack of attention to the wellbeing and budgetary implications of implementing the recommendations of the Health and Disability System Review report**

Apart from increased capital investment for District Health Boards building and infrastructure projects the 2021 BPS is silent on any other changes to health expenditure. Given that the Department of the Prime Minister's (Health) Transition Unit is well underway with implementing the recommendations of the report of the Health and Disability System Review, and that the recommendations are purported to be a once in a generation opportunity to address key health components of wellbeing, NZHR is surprised that this is not referenced within the BPS, either as part of the wellbeing outlook or in its fiscal intentions.

#### **Recommendation:**

The BPS includes comment on the budgetary and wellbeing impact of implementing the recommendations of the Health and Disability System report

#### **Health research investment**

<sup>8</sup> <https://www.mbie.govt.nz/dmsdocument/6935-new-zealands-research-science-and-innovation-strategy-draft-for-consultation>

<sup>9</sup> New Zealand Productivity Commission (2020). New Zealand firms: Reaching for the frontier. Draft report. <https://www.productivity.govt.nz/assets/Documents/5a581e022b/Draft-report-frontier-firms.pdf>



Assuming that the above recommendations will be incorporated into a revised 2021 BPS, NZHR further recommends that it includes a strong signal that the 2021 budget will provide for significant increases in health research investment as a key contributor to both wellbeing and economic recovery and growth

According to NZHR's 2020 public opinion poll<sup>10</sup> 79% rated more funding for health research as an important priority for the government, 76% agreed that the government should invest more funding in health research, and 57% rated the \$140m allocated to health research as too low.

Moreover, NZHR itself has consistently advocated for government ringfenced investment in health research to be increased from the current 0.78% of health care costs to 2.4% within the ten year time frame of New Zealand's Health Research Strategy.

NZHR's most recent rationale for this position is presented in our 2020 briefing paper<sup>11</sup> for incoming Ministers of Health and Research, Science and Innovation, and holds true for a variety of assumptions including total health R&D investment from all sources as a percentage of the total government and society costs of responding to ill health. Furthermore MBIE, MoH and the HRC collectively acknowledge that New Zealand is underinvesting in health research<sup>12</sup>. NZHR believes that New Zealand's low level of R&D investment overall is acting as a handbrake on addressing the low levels of health research investment.

NZHR contends that investing in the acquisition of knowledge of how to better support individuals and clinicians to translate the results of health research into clinical and personal practice and behaviour would significantly improve our ability to save the lives of the 5000 "amenable" New Zealanders per year who are dying prematurely.

Looking back over the sweep of medical and health history people would have died from all manner of illnesses that at one time would not have been considered amenable to treatment or prevention. Advances in knowledge, resulting from health research, have changed this. It follows that by investing more in health research now we improve our ability to help a further 7000 New Zealanders per year and their whanau/families, and thereby make tangible gains in kiwis' health outcomes and health status.

NZHR is also concerned that the BPS appears to be intending to roll over the operating allowances as presented in Budget 2020. One particular problem with this is the implication that once again there will be no further increases in health research investment despite the fact that the HRC Act mandated triennial funding review was due to occur 2019<sup>13</sup> and is still yet to materialise. NZHR will be particularly dismayed if the 2021 BPS results in 2021 health research budget allocations which are merely at the same levels as the 2019 and 2020 budget allocations.

## NZHR constituency

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<sup>10</sup> <https://www.nz4healthresearch.org.nz/wp-content/uploads/2020/08/NZHR-Report-2020-GENERAL-EDITION-PRINT-final.pdf>

<sup>11</sup> <https://www.nz4healthresearch.org.nz/wp-content/uploads/2020/11/NZHR-briefing-paper-for-incoming-Ministers-241120.pdf>

<sup>12</sup> [https://www.hrc.govt.nz/sites/default/files/2020-01/NZ%20Prioritisation-Framework-FA-web\\_0.pdf](https://www.hrc.govt.nz/sites/default/files/2020-01/NZ%20Prioritisation-Framework-FA-web_0.pdf) p 19

<sup>13</sup> MBIE and Ministry of Health. Strategic Refresh of the Health Research Council. Circa 2015. [http://www.hrc.govt.nz/sites/default/files/HRC%20refresh%20report\\_1\\_0.pdf](http://www.hrc.govt.nz/sites/default/files/HRC%20refresh%20report_1_0.pdf)





In developing this submission we have consulted with our Platinum to Chrome partners and members as set out below (and from whom we derive 100% of our funding).

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## NZHR partners and members

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