



Office of Hon Pete Hodgson
MP for Dunedin North
Minister of Health
Minister for Land Information

27 OCT 2006

Dr Judith Aitken
Acting Chair
Capital & Coast District Health Board
Private Bag 7902
WELLINGTON

Dear Dr Aitken

Capital & Coast District Health Board: 2006/07 District Annual Plan

This letter is to advise you that I have signed Capital & Coast District Health Board's (C&CDHB's) District Annual Plan (DAP) for the 2006/07 year. The Board has my support for the implementation of this plan. I wish to express my appreciation to the Board, management and staff for all the effort that has gone into producing the plan and the efforts made to manage your services within the funding available in 2006/07.

I am disappointed, however, that C&CDHB has not been able to present acceptable plans for the outyears. I expect C&CDHB to provide a DAP next year that can be supported for the full three years.

C&CDHB will continue to receive in 2006/07 the early payment arrangements that you benefited from in 2005/06. The Ministry of Health (the Ministry) may review this privilege during the year, along with C&CDHB's position on the Monitoring and Intervention Framework.

I acknowledge and accept the commitment that the Board and management of C&CDHB have made to me in the DAP that an operational break even position will be achieved in 2006/07. I understand that the planned surplus of \$13M relates to the proceeds of asset sales. You will be aware that in terms of the New Zealand Public Health and Disability Act, DHBs are required to apply these sale proceeds to capital projects, and that they cannot be used to offset operational deficits.

I am aware that you have set yourselves challenging plans in 2006/07 requiring the achievement of significant cost savings, efficiencies and possible service reconfigurations.

In order to address the risks around achievement of your 2006/07 DAP, I request that you include in the commentary that you send to the Ministry with your monthly financial results:

- explanation of any significant adverse variances to budget on a line item basis, and
- actions that you will be taking to reverse any adverse trends and achieve your plan.

I understand that Ministry officials also intend to request monthly meetings or teleconferences with C&CDHB staff to discuss the monthly results. The results of this additional monitoring will be taken into consideration when the DHB's status on the Monitoring and Intervention Framework and continued receipt of the early payment incentive are considered during the 2006/07 year.

Risks

I note the risks and associated mitigation strategies you have identified. I expect C&CDHB to continue to manage its financial risks and live within its allocated funding. Where your DHB identifies severe risks of any type I expect you to notify the Ministry of them along with your strategies for mitigating them.

Electives

Improving elective services is a priority in 2006/07. I realise there are many challenges inherent in the management of elective services, however it is important that there is transparency in the system. People have the right to know when they have been promised surgery that they will get it within a specified timeframe, or if they cannot be offered treatment what their options are. It is also important that we deliver services in cost effective ways, so that more people can receive treatment.

I am pleased that you were able to agree to a revised recovery plan with the Ministry that enabled you to achieve compliance with the Elective Service Performance Indicators across all services by 30 September 2006. Thank you for this commitment. I appreciate the progress that has been made and I look forward to hearing of C&CDHB's ongoing compliance with the indicators.

Getting ahead of the curve – The Chronic Disease Burden

I am pleased your DAP addressed the prevention and management of long-term conditions. As you are aware, the burden of chronic or long-term conditions bears most heavily on Māori, Pacific, and high deprivation groups and delivers unequal health outcomes including premature death. We need to get better at preventing and managing long-term conditions among these groups. The Primary Health Care Strategy and Healthy Eating Healthy Action provides you with the tools to do this. I encourage you to include in your planning for 2007/08 explicit links between your plans around chronic care

management and your efforts to reduce inequalities, and activity in primary care/community settings.

Capital

In August 2005 the Cabinet Business Committee authorised the Minister of Finance and myself to approve up to \$43M of additional equity and new lending from the health capital budget for the New Regional Hospital project. Please accept this letter as advice of the approval of the additional \$43M of new funding and the establishment of a new project total of up to \$346M. I look forward to the project being completed on time and on budget.

Please note that sign off on the 2006/07 DAP does not indicate approval for any other capital projects requiring equity or new lending, or self-funded projects that require the support of the National Capital Committee. Approval of such projects is dependent on both the completion of a sound business case, and evidence of good asset management and health service planning by your DHB. Approval for equity or new lending is also managed through the annual capital allocation round also.

Service Configurations

My approval of your DAP does not constitute approval of proposals for service changes or service reconfigurations. I expect you to comply with the requirements of the Operational Policy Framework and to advise the Ministry where any proposals may require my approval.

Miscellaneous Funding Issues

Please note that by approving your 2006/07 DAP I am not approving any additional funding for C&CDHB's insurance costs, primary maternity service, new water reservoir or the historical FRS3 claim of \$1.7M. Officials have advised that they will report to me on the historical FRS3 claim later in the year when I consider funding allocations related to the 2005 asset revaluation.

This letter should be attached to the copy of the signed plan held by the Board, and a facsimile of the letter should be attached to all copies of the Plan made available to the public or any other third party. I wish you all the best in the achievement of your plan.

Yours sincerely



Hon Pete Hodgson
MINISTER OF HEALTH