

# Letter to the editor commenting on the editorial: “The cost of everything and the value of nothing: New Zealand’s under-investment in health”

Kevin Davies

Dear Editor,

## Budget 2024

The recent editorial in the *NZMJ* “The cost of everything and the value of nothing: New Zealand’s under-investment in health” by Virginia Mills, Lyndon Keene, James Roberts and Harriet Wild contains the statement that “*the health budget for 2024–2025 does not provide enough funding to address the cost pressures of inflation, wage growth, ageing and population growth*”,<sup>1</sup> which we believe is not entirely accurate. Budget 2024 does take demographic and inflationary pressures into account and is over and above the funding provided in Budget 2023.

Health New Zealand – Te Whatu Ora’s Budget 2024 cost pressure uplift is above overall demographic and inflationary pressures. In fact, Budget 2024 included an increase in **baseline** funding to meet health cost pressures for Vote Health that will be staged over three budgets, with NZ\$5.720 billion in additional funding over the forecast period made available through Budget 2024 (NZ\$1.430 billion per annum) and a further pre-commitment of NZ\$5.480 billion to be made against each of Budget 2025 and Budget 2026. This funding is **operating** funding, rather than capital.

The government funded Health New Zealand cost pressures were in line with the planning assumptions issued by the previous Government to Health New Zealand in March 2023. These parameters were disclosed in Treasury’s 2023 *Economic and Fiscal Updates*. The inflation component of that was based on Treasury’s *Half Year Economic and Fiscal Update 2022* (HYEFU2022) inflation forecasts and captured both consumer price index (CPI) and wage inflation elements. Since HYEFU2022, Treasury’s forecasts

of inflation (both CPI and quarterly employment survey [QES] hourly earnings) have eased. This means that the Health New Zealand cost pressures have been funded above overall demographic and inflationary pressures through Budget 2024.

The total Vote Health package for Budget 2024 included NZ\$6.143 billion in new funding over the forecast period (NZ\$6.032 billion operating over the forecast period for cost pressures and targeted new spending, and NZ\$110 million capital). This is on top of a NZ\$1.774 billion uplift for the Combined Pharmaceutical Budget over the forecast period, and the provision of an additional amount of NZ\$653 million over the next 4 years to increase access to cancer medicines.

## OECD comparisons for health spending

The editorial also states: “*In 2021, New Zealand’s total public and private health expenditure was 10% of its gross domestic product (GDP), compared with an average of 11.7% (ranging from 9 to 17%) for 14 OECD countries...*”<sup>1</sup>

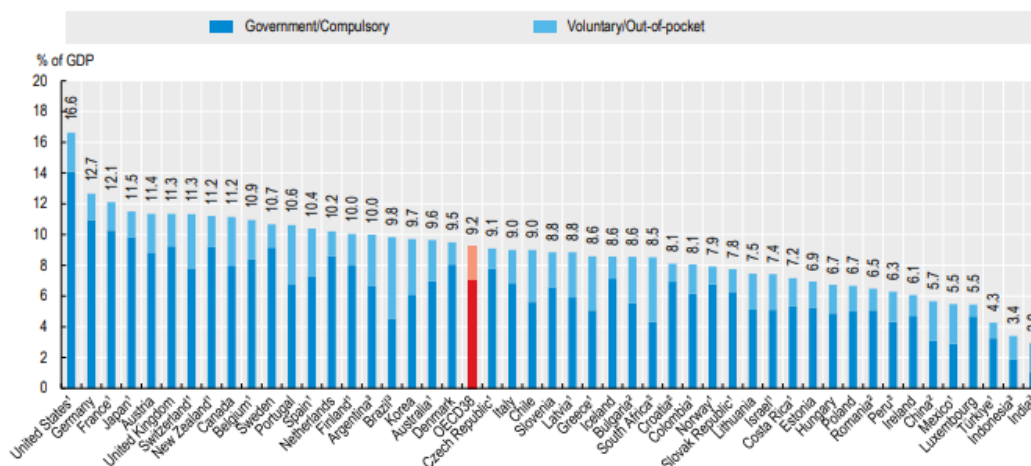
We appreciate there are data quality issues, and the Ministry is working to remedy those over time. Our view is that the selection of certain countries by Mills et al. to compare with New Zealand does not paint an accurate picture of New Zealand’s contribution to health. The graph below from the OECD puts New Zealand’s situation in better context.

In the Ministry’s view, the 10% figure for total health expenditure is likely to underestimate current spending. The estimates in the current OECD dataset are derived by the OECD from published information and by extrapolating past estimates. Our judgement is that private expenditure and expenditure by other government departments on healthcare have both risen considerably over the last few years, and that the

10% total figure is likely to underestimate current spending.

Regards,  
 Kevin Davies  
 Deputy Chief Financial Officer  
 Ministry of Health

Figure 1: Health expenditure as a share of GDP, 2022 (or nearest year).



1. OECD estimate for 2022. 2. 2021 data. 3. 2020 data.  
 Source: OECD Health Statistics 2023; WHO Global Health Expenditure Database.

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**COMPETING INTERESTS**

Nil.

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<https://nzmj.org.nz/journal/vol-137-no-1602/letter-to-the-editor-commenting-on-the-editorial-the-cost-of-everything-and-the-value-of-nothing-new-zealand-s-under-investment->

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1. Mills V, Keene L, Roberts J, Wild H. The cost of everything and the value of nothing: New Zealand's under-investment in health. *N Z Med J.* 2024;137(1601):9-13. doi: 10.26635/6965.e1601.

# Response to: Letter to the editor commenting on the editorial: “The cost of everything and the value of nothing: New Zealand’s under-investment in health”

Virginia Mills, Lyndon Keene

**T**ēnā koe,  
We appreciate the engagement generated by our recently published editorial on New Zealand’s under-investment in health. It is critical that we open robust public conversation on how we fund health, and account for the costs borne by New Zealanders due to delayed care and unmet need. It is also critical that health funding is transparent and able to be scrutinised.

The Ministry of Health has responded to our editorial with a letter to the editor. Below is our response to points raised.

- Our editorial did not contend that the NZ\$1.43 billion funding for cost pressures went to capital funding. We did highlight, however, that Health New Zealand – Te Whatu Ora officials signalled in March the calculations were based on lower inflation figures and may not be enough to meet cost pressures.
- We would like to see the full calculation for health cost pressures the Ministry refers to. We sought a copy of the cost pressure calculations under the *Official Information Act* back in May 2024. We are still waiting to receive a copy.
- Our editorial reports on the **net** increase in operational and capital funding, including *Holidays Act* remediation, compared to the previous year. These figures are easy to verify on pages 3–5 of Vote Health’s *Estimates of Appropriations*.
- As we point out in our editorial, much of the additional funding for 2024/2025 mentioned by the Ministry is recycled or relabelled money.
- According to the OECD, New Zealand’s

total health expenditure was 11.22% of GDP in 2022, of which 9.15% was public expenditure. This would have amounted to NZ\$33.3 billion public expenditure when Core Crown Health expenditure, including COVID-19 health expenditure, was NZ\$27.8 billion. In September 2023, the Association of Salaried Medical Specialists asked the Ministry to clarify how the OECD reached its estimates. The Ministry said it did not know but that “*sometimes unexpected results have occurred with changes made by Stats or the OECD to the GDP deflator. There are many possible explanations, especially during the period 2020 – 2022 when economies and health expenditure, internationally, moved in unexpected ways.*” For these reasons we used the World Health Organization’s data on expenditure, which we believe reflect New Zealand’s position against comparable countries more accurately.<sup>1</sup>

Once again, we welcome the engagement the editorial has generated, and reiterate our calls for an independent inquiry into the options for funding a public health system that is sufficient to ensure all New Zealanders have timely access to quality healthcare when they need it.

Furthermore, we call for increased transparency and access to the information that informs the health budget, as well as government analysis on New Zealand’s health expenditure. For example, we encourage the Ministry to resume publication of its series *Health Expenditure Trends in New Zealand*, which supported informed debate on health funding and expenditure, but was discontinued in 2010.

Nāku noa, nā,  
Virginia Mills and Lyndon Keene

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**COMPETING INTERESTS**

Nil.

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letter-to-the-editor-commenting-on-the-editorial-  
the-cost-of-everything-and-the-value-of-nothing-new-  
zealand-s-under-investment-](https://nzmj.org.nz/journal/vol-137-no-1602/letter-to-the-editor-commenting-on-the-editorial-the-cost-of-everything-and-the-value-of-nothing-new-zealand-s-under-investment-)

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1. Davies K. Letter to the editor commenting on the editorial: "The cost of everything and the value of nothing: New Zealand's under-investment in health". *N Z Med J.* 2024 Sep 6;137(1602):145-147. doi: 10.26635/6965.6725.