

Briefing

Health New Zealand
Te Whatu OraHealth Sector Agreements and Payments (HSAAP)
Programme Re-Baseline and Associated Revenue Changes

Due to MO:	30 October 2025	Reference	HNZ00096966
To:	Hon Simeon Brown, Minister of Health		
To:	Hon Nicola Willis, Minister of Finance		
From:	Mark Woodard, Senior Responsible Officer, HSAAP		
Copy to:	n/a		
Security level:	In Confidence	Priority	Routine
Consulted:	The Treasury, Ministry of Health		
Proactive Release:	This title is proposed by Health NZ for proactive release		

Action sought	Action required by
Agree to re-phase previously agreed funding for the Health Sector Agreements and Payments Programme to accelerate delivery	15 November 2025

Contact for further discussion (if required)			
Name	Position	Phone	1st contact
Mark Woodard	Senior Responsible Owner, Health Sector Agreements and Payments Programme		x
Peter Bramley	Independent Chair of Health Sector Agreements and Payments Programme Executive Oversight Committee		

Attachments

Appendix 1: Health Sector Agreements and Payments Benefits Framework

Purpose

1. This paper seeks approval from the Minister of Health and Minister of Finance (Joint Ministers) for a further revision of the funding profile of the Health Sector Agreements and Payments (HSAAP) Programme in order to continue acceleration of the programme, which will reduce legacy system risk and reduce costs associated with maintaining both new and old systems during the transition period.

Summary

2. The HSAAP Programme is a 10-year investment by Cabinet to replace the systems that manage agreements, entitlements, and distribution of payments by Health NZ to providers of health services and to health service users. These systems process 120 million claims and \$15 billion in payments annually but are now obsolete and increasingly unstable.
3. Work has been progressing well, with delivery timeframes being consistently and successfully met. The build of the core systems is largely complete; we are now processing approximately 100 million claims and \$5.5 billion in payments through the new system. The Programme was rated Amber-Green in a Gateway Review in November 2024 and reconfirmed in an October 2025 review.
4. The HSAAP Programme and ongoing development is funded by appropriations amounting to \$243.916 million through to 2031 and enduring baseline funding of \$21.185 million for each year thereafter. Should the funding changes to support the current rate of expenditure be approved, the Programme will be completed before the original 10-year timeframe in the business case and within the available funding provided for that period.
5. To reflect the direction of the former Health NZ Commissioner to accelerate activity on the HSAAP Programme, a revised Business Case was approved by the Chief Executive in 2024. In conjunction with that decision, in December 2024, Joint Ministers approved \$12 million in funding originally allocated to 2026/27 and 2027/28 to be brought forward 2 years to allow for the Programme to gain more experience managing delivery at an accelerated pace [HNZ00052258 refers]. In addition, the Programme agreed to prepare a review of progress in August 2025, and, based on implementation activity up to that time, estimate the time and cost to complete the Programme. Following this review, the Programme has now prepared this further revision to the required funding to assist with the acceleration plan.
6. The HSAAP 2025 Implementation Plan and Financial Re-baseline estimates completion of the HSAAP Programme by June 2029.
7. This paper recommends bringing forward \$20 million into 2025/26 and 2026/27 to continue the accelerated delivery of the Programme. This will be offset by funding reductions in the following three years (2027/28-2029/30) by the same amount. No new funding is requested.



9. If funding is not brought forward, the rate of delivery of the Programme would slow dramatically. This would result in continued exposure to legacy system failure, increased costs as both legacy and new systems would be in place, deferred benefits, and a delay in completing the Programme beyond the initial 10-year term.

Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

	Min Finance	Min Health
a) Note that, on 12 April 2021, Cabinet agreed to fund replacement of the Health Sector Agreement and Payments (HSAAP) systems to mitigate systems failure risk, support Health sector reform by enabling new contracting models with providers, and reduce operating costs [CAB-21-MIN-0116.14 refers].	Noted	Noted
b) Note that the agreed funding pathway for the HSAAP Programme is \$243.916 million over 10 years from 2021/22 to 2030/31 and an enduring baseline increase of \$21.185 million after that to fund on-going work and operations.	Noted	Noted
c) Note that in December 2024, Joint Ministers agreed to an initial rephasing of the programme funding to help accelerate the work programme, and Health NZ signalled further revision to the funding pathway would likely be required to complete the work on an accelerated pathway [HNZ00052258 refers].	Noted	Noted

- d) **Note** that the Health NZ Chief Executive has approved the 2025 HSAAP Implementation Plan and Financial Re-Baseline (summarised in this paper), which includes a revised delivery roadmap for the remaining scope of the original Business Case. Achievement of this plan is dependent on the revision of the Programme funding profile as requested in this paper. **Noted Noted**

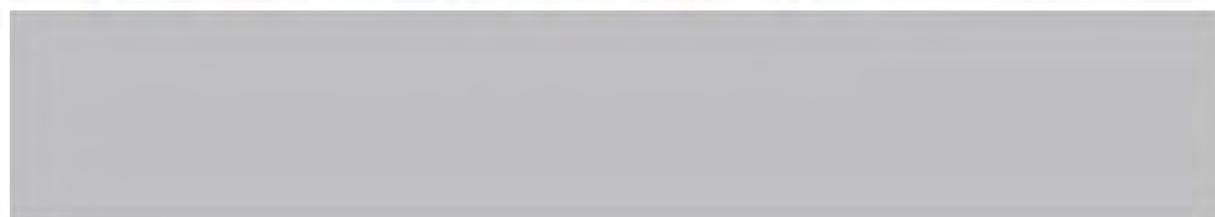
- e) **Agree** to rephase the funding profile based on the 2025 Revised Implementation Plan and Business Case Re-Baseline to address continued acceleration of programme delivery for the period 2025/26 and 2026/27 as follows: **Yes/No Yes/No**

\$ millions	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
Current Funding	25.185	15.185	15.185	21.185	21.185	21.185
Proposed Changes	6.000	14.000	(2.000)	(9.000)	(9.000)	-
Revised Funding	31.185	29.185	13.185	12.185	12.185	21.185

- f) **Approve** the following changes to appropriations to give effect to the decision in recommendation e) above, with no impact on the operating balance or net core Crown debt across the forecast period: **Yes/No Yes/No**

Vote Health Minister of Health	\$ millions – increase / (decrease)						
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears	Total
Non-departmental Output Expense: Delivering Primary, Community, Public and Population Health Services	6.000	14.000	(2.000)	(9.000)	(9.000)	-	-
Total Operating	6.000	14.000	(2.000)	(9.000)	(9.000)	-	-
Total Capital	-	-	-	-	-	-	-

- g) **Agree** that the proposed changes to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply. **Yes/No Yes/No**



Hon Simeon Brown, Minister of
Health

Date:

Hon Nicola Willis, Minister of Finance

Date:

Submitted by:



Mark Woodard
Senior Responsible Officer, Health Sector Agreements and Payments
Health New Zealand | Te Whatu Ora

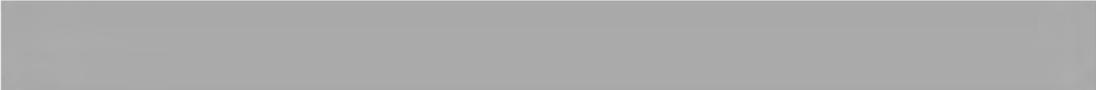
Date:

Background

Programme Purpose

10. The HSAAP Programme was established to replace the legacy systems which manage agreements and payments for the provision of health services. These systems are obsolete and increasingly unstable.
11. In addition to serving Health NZ needs, HSAAP facilitates broader sector agreements and payments, including the medicine component of pharmacy claims for Pharmac and residential care services provided by the Disability Support Services (DSS) division of the Ministry of Social Development (which had been located within the Ministry of Health prior to the 2022 Health Reforms).

Programme Value/Benefits

12. The primary drivers for replacing the legacy systems are:
 - 
 - Enabling improved management of provider contracts associated with \$15 billion of expenditure of Health NZ, Pharmac and DSS by:
 - providing sufficient flexibility to enable the development of modern, innovative funding models to support and incentivise the on-going change required of providers to achieve improved health outcomes and reduced costs.
 - enabling a complete and accurate national view of what is funded by Health NZ and the other funders, how well providers are performing, and insights to improve the targeting and effectiveness of community health funding, as this data is currently fragmented across numerous ex-District Health Board (DHB) systems and collected using inconsistent methods.
 - improving payment times.
13. While financial benefits were not the main driver in the original Business Case, the Programme nevertheless expects to lower operational expenditure. The 2021 Business Case expected an ongoing financial benefit of \$4.57 million per annum (in 2021 dollars), once the initial delivery scope was completed. The updated financial benefit on full delivery of the HSAAP functionality is forecast at \$11.89 million per annum (in 2024 dollars).
14. The 2025 Implementation Plan and Financial Re-Baseline is summarised in this paper. Further information on the benefits being delivered by the Programme can be found in **Appendix A: Programme Value**.

Programme Progress

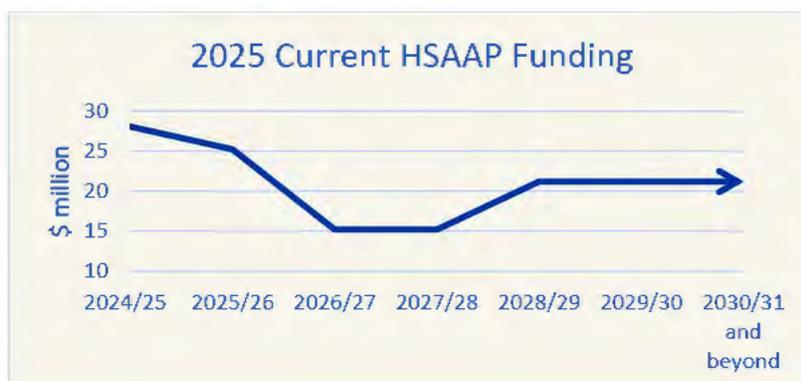
15. The Programme has successfully delivered key scope items, particularly in the last 2 years. Our core technical solution is operational, and we have transitioned the following systems to the new platform:
 - Dental Service (\$60 million in payments and 600,000 claims annually).

- PCT (Hospital Pharmaceuticals), followed by Community Pharmacy Claims, (which together account for \$2.5 billion in payments and 100 million claims annually) in phases concluding in October 2025.
 - 3,000 contracts have been transitioned to the new system across multiple services.
 - Payments for services approved by HSAAP systems redirected for payment through FPIM, the Health NZ finance system, rather than from within HSAAP as a stand-alone payment gateway.
 - For contracts migrated onto the HSAAP system, bulk upload of changes to contracts in conjunction with annual contract renewals has been enabled.
16. Matairangi, our new analytics and reporting system, enables Health NZ to gain insights on the performance of health service providers. Additionally, we have standardised and simplified the numerous and inconsistent agreements inherited from 20 former DHBs.
17. At present, around 3,000 agreements, representing \$5.5 billion of payments, are operating through the HSAAP solution. The project is about a third of the way through the migration of services as measured by contracts and dollar volume of activity and represent about 80% of the claims. The prioritisation of claims was deliberate as the legacy claims processing system is considered the most at risk.

The Acceleration Decision and Financial Implications

Current Request

18. In early 2024/25, the Health NZ Turnaround Committee reviewed the HSAAP Programme and, through the Commissioner, instructed the programme to accelerate the completion of delivery to bring forward the retirement of legacy systems to reduce duplicate system costs and realise programme benefits earlier. In December 2024, Joint Ministers agreed to bring forward \$12 million into 2024/25 and 2025/26 and reduce funding by \$6 million in each of the two subsequent years as an interim funding arrangement to allow for the Programme to gain more experience managing delivery at an accelerated pace [HNZ00052258 refers]. Health NZ signalled at that time that a subsequent request to bring funding forward would be submitted after a more comprehensive estimate of time and cost to completion was to be completed in August 2025, and this paper is a result of that analysis.



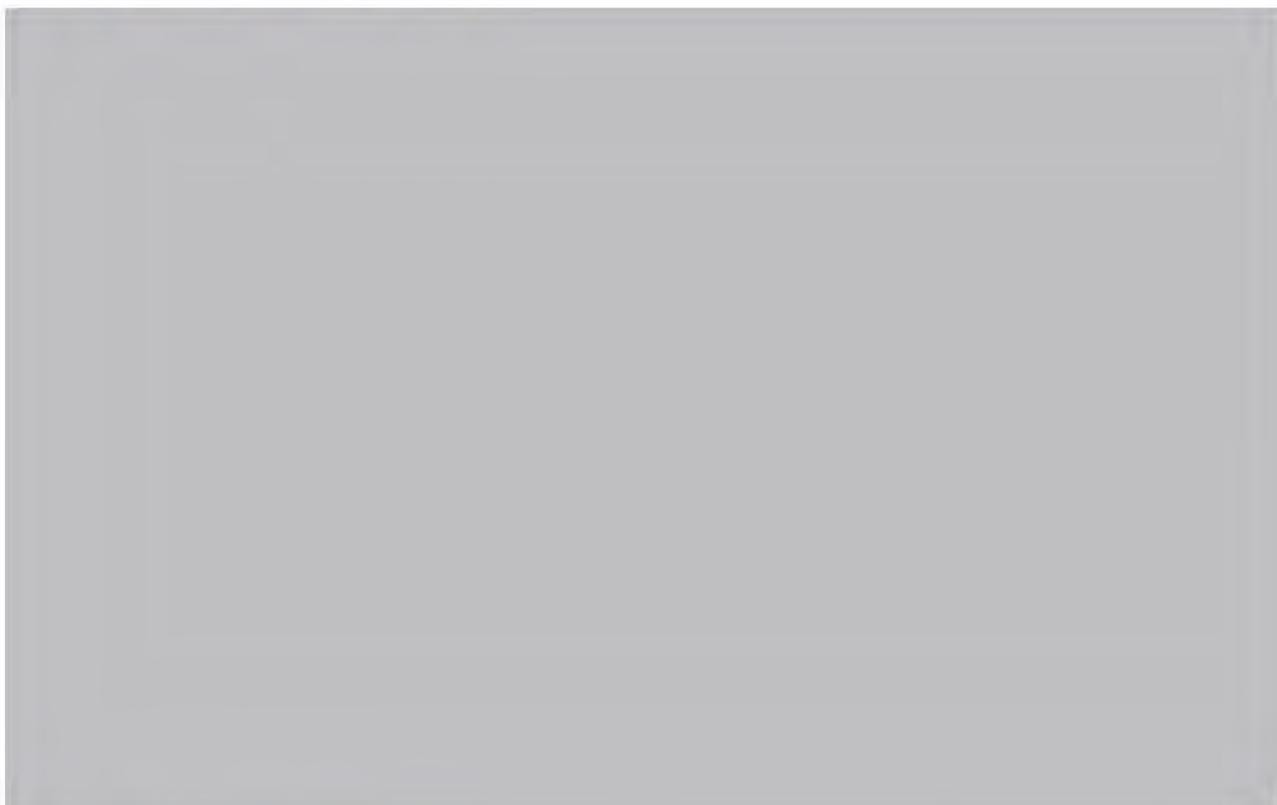
19. The revised HSAAP 2025 Implementation Plan and Financial Re-baseline contemplates continuing expenditure at approximately the same rate as 2024/25 to continue the accelerated pace of delivery of the Programme. This requires an additional \$6 million to be brought forward into 2025/26 and \$14 million into 2026/27. This will be offset by a \$20 million reduction in funding for 2027/28 and the next three financial years as shown in the table below.

Table 1: Proposed funding changes to HSAAP

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
Current Funding	25.185	15.185	15.185	21.185	21.185	21.185
Proposed Changes	6.000	14.000	(2.000)	(9.000)	(9.000)	-
Revised Funding	31.185	29.185	13.185	12.185	12.185	21.185

20. If funding is not brought forward, the rate of delivery of the Programme would slow dramatically. This would result in continued exposure to legacy system failure, increased costs as both legacy and new systems would be in place, deferred benefits, and a delay in completing the Programme beyond the initial 10-year term.

Final Funding Change Request



Plan to Completion

23. The interim step to bring funding forward until 31 December 2025 was intended to allow for gaining greater clarity on the scope remaining, and the effort and time to deliver the remaining activities. The August 2025 checkpoint was intended to provide more detailed estimates of work, time and funding required to complete the migration of activity from legacy systems to HSAAP, and it has done so.

24. The HSAAP 2025 Implementation Plan and Financial Re-baseline forecasts decommissioning of the most at-risk legacy system by 30 June 2027 and the remaining systems by July 2029. The Plan beyond 2026/2027 consists of a sequenced roadmap, with yearly checkpoints to allow for further refinement of our estimates of time and costs to completion.
25. The key risks to delivery are slippage due to delivery performance and a reduction in the funding available. While the main contingency available is to extend the timeframe for delivery, this would mean delayed benefits and, more specifically, a prolonged period of carrying the risk of legacy system failure.

Consultation

26. The Treasury and the Ministry of Health have been consulted on this paper, and both agencies support the proposed approach.

Next steps



Appendix 1: Health Sector Agreements and Payments Benefits Framework



