Aide-Mémoire

Health New Zealand
Te Whatu Ora

Delivery Plan – Aide-Mémoire - Production Plans

Due to MO:	2 July 2025	**Reference**	HNZ00084170
To:	Hon Simeon Brown, Minister of Health		
From:	Jason Power – Acting National Director, Planning, Funding and Outcomes		
Copy to:	n/a		
Security level:	In Confidence	**Priority**	Routine
Consulted	n/a		
Proactive Release:	This title is proposed by Health NZ for proactive release		

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Rachel Haggerty	Director – Funding, Hospitals		x
Jason Power	Acting National Director - Planning, Funding and Outcomes		
Margaret White	Acting Chief Financial Officer		

Attachments

Appendix 1:	
Appendix 2:	

Appendix 1 and 2 are withheld in full

Purpose

1. The purpose of this Aide-Mémoire is to provide you a final update on Health New Zealand | Te Whatu Ora's (Health NZ) production planning, including how additional capacity from new infrastructure will support the delivery of activity in 2025/26.

Summary

2. We have made significant progress in completing our production planning for 2025/26, and we now have a clear and confirmed view of what needs to be delivered in the next financial year within our given budget parameters.

3. The production plans for 2025/26 have been built to deliver required uplifts to achieve the June 2026 Health Target milestones and other key output measures; with a particular focus on elective treatments through the Elective Boost. The budget targets a c. 2.8% uplift in internal activity, plus an additional ~21,000 elective procedures from a c. $179 million investment in the Elective Boost.

4. The data provided to you on 15 May as part of our budget and production planning update has not changed, bar the inclusion of the Elective Boost uplifts [HNZ00087783 and HNZ00092358 refer]. Data on public health and primary and community care activity by their respective output classes, given to you on 1 May [HNZ00086026 refers], has also not changed.

5. We have established clear expectations at a regional level on the delivery of services, including the inhouse-outsource allocation of elective treatments. Several actions are underway to uplift performance to meet these milestones for 2025/26. This includes increasing existing capacity and activating some sites that are currently underutilised or nearing completion (Tōtara Haumaru, Burwood Hospital and Manukau Health Park), as set out in this paper. Further capacity will come online in 2025/26 at Taranaki Base Hospital.

6. Changes in productivity are reflected in the budgeted costs of delivering the planned level of internal activity in 2025/26. Overall, total costs related to this activity are budgeted to increase by 2.1% in 2025/26. In real terms (adjusting for inflation), this means Health NZ's internal budget factors in a productivity improvement of 2.6%-2.8%. This will require a concerted effort to achieve this level of productivity improvement.

Background

7. Health NZ provided you with an update on our progress to completing production plans and the internal budget on 15 May, including the draft activity plans for 2025/26 [HNZ00087783 refers].

8. Since 15 May, we have provided the Health Assurance Unit (HAU) with further detail on the internal budget for 2025/26 and the remaining work needed to finalise our production plans. This included detail on how Health NZ intends to achieve the 2025/26 budgeted deficit of $200 million and, briefly, the Health Target milestones for 2025/26. Further detail on the latter is provided in this Aide-Mémoire.

9. In our advice to the HAU, we also set out the approach to activity and production

planning that involved planning through four steps:

a) **Funding plans** for all regions outlining regional/district service delivery requirements across hospital and specialist services, externally contracted services, and internal Service Level Agreements (SLAs).

b) **Activity plans** for all regions setting out the regional, district, facility, and service breakdown and include purchase units, admission types, bed days, and how the allocation of public versus private provision is split.

c) **Regional plans** to work across districts to distribute service delivery to meet need, reduce unwarranted variation and enable progress towards targets for district populations.

d) **Local production plans:** consolidated district views to support the regional plans and aligned to service delivery plans.

10. The combination of these four steps sets out our production plans for the 2025/26 financial year, which is further detailed in this Aide-Mémoire.

11. An additional paper is being provided to you with specific detail on the Electives Boost, including interactions with wider production planning [HNZ00092358].

Production planning for 2025/26

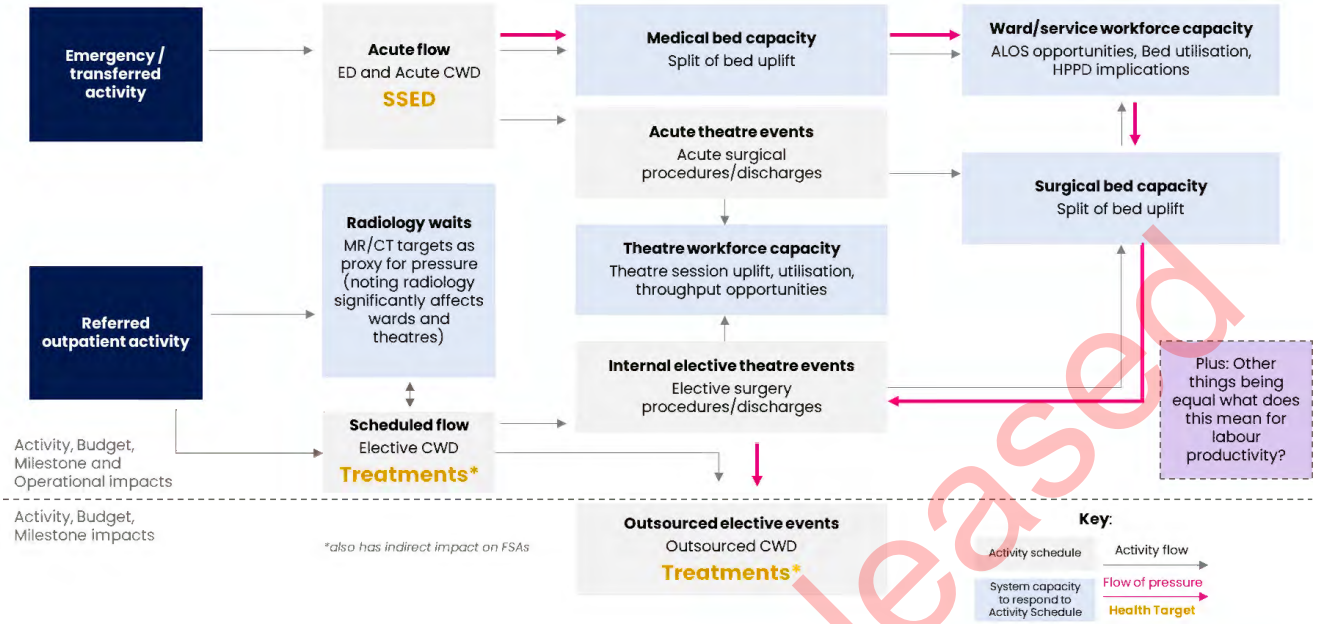
We have completed production planning and have a clear view of what needs to be delivered in 2025/26

12. Our production plans for 2025/26 have been built to deliver required uplifts to achieve the June 2026 Health Target milestones and other key output measures. [redacted] This is underpinned by a level of productivity improvement across all regions set out in further detail later in this paper, which will require a concerted effort to achieve.

13. The key focus areas in production planning and uplifting productivity performance in 2025/26 are inpatient hospital capacity and areas directly aligned to the Health Targets.

14. The development of the activity plans, and the wider production planning relating to HSS, are supported by the underlying logic model set out in **Figure 1** below. This shows that the uplifts set out in the activity plans imply a level of pressure on capacity in different parts of the system; and there is a sequential order to where we can respond to this pressure and relevant Health Targets from acute flow through to outsourcing to the private sector.

Figure 1: *The logic model underlying production planning for HSS activity*



15. The consideration of the use of the private sector for elective treatments is considered in the production plans for 2025/26. The balance between internal and outsourced activity is outlined in the specific Elective Boost paper to you [HNZ00092358 refers]. Ensuring we achieve a balance of the use of public and private services to ensure the most cost-effective delivery of care is an ongoing consideration.

16. The data provided to you on 15 May as part of our budget and production planning update has not changed, bar the inclusion of the Elective Boost uplifts [HNZ00087783 and HNZ00092358 refers]. Data on public health and primary and community care activity by their respective output classes, given to you on 1 May [HNZ00086026 refers], has also not changed.

17. A high-level summary of our planned hospital and specialist services (HSS) activity within the production plans for 2025/26 is set out in **Appendix 1**, inclusive of the Elective Boost investment.

18. The activity plans for 2025/26 set out what Health NZ expects to deliver over the next financial year. The level of activity needed to meet the 2025/26 Health Target milestones across planned care treatments (planned care case-weighted-discharges, Planned Care Minor Procedure, First Specialist Assessments, IV Chemo) is built into the activity plans.

19. The remaining volumes are forecasted estimates of what is required to meet the healthcare needs of New Zealanders, recognising the impacts of seasonal variation and the incidence of illness and pregnancy. This means there is potential for deviation from the forecast as the year progresses, due to externalities that we cannot be aware of nor control.

20. If variation to the activity plans occur, or we expect the forecasts to vary significantly from the original production plans, we will advise you on this through our regular reporting mechanisms. Any flow-on financial impacts will also be monitored and worked through accordingly.

21. Core activity has not changed since you last saw it on 15 May [HNZ00087783 refers],

with the focus of the last few weeks being on integrating the activity plans with regional budgets and aligning productivity expectations regarding delivery. However, the distribution of the Elective Boost amongst regions has been updated to reflect current performance.

22. Regions continue to finalise more detailed phasing of activity for each region and district, which will be internally monitored to track performance against planned activity. This will reflect our phased approach to some investments and capacity uplifts, and an expectation that some productivity gains will materialise as the financial year carries on. Activity will therefore increase over the financial year, rather than starting from a higher baseline position on 1 July and remaining there.

We have the ability to meet the 2025/26 Health Target milestones based on the projected activity levels

23. The Health Target milestones for 2025/26 (where performance must be at as of June 2026) are set out in **Table 1** below compared to current performance and the 2024/25 milestone.

***Table 1:** Health Target performance against milestones*

Target	Latest published result (March 25)	2024/25 milestone	2025/26 milestone
Faster cancer treatment (% of patients receiving cancer management within 31 days of the decision to treat.)	84.6%	86%	**87%**
Immunisation (% of children fully immunised at 24 months of age)	79.3%	84%	**87%**
Shorter stays in emergency departments (SSED) (% of patients admitted, discharged, or transferred from an ED within six hours)	74.2%	74%	**77%**
First specialist assessments (FSAs) (% of patients waiting less than four months for an FSA)	58.2%	62%	**65%**
Elective treatment (% of patients waiting less than four months for elective treatment)	57.3%	63%	**70%** Interim target of 67% by 31 Aug 2025

24. We have built performance against these milestones into our budget and production plans for the 2025/26 year. We have the ability to deliver on these milestones, noting the current performance trends discussed in greater detail through our Weekly Reports to you. A specific paper on the Electives Boost is also being provided to you with further detail on this specific target [HNZ00092358 refers].

Internal and external capacity uplifts

This financial year we are placing a greater focus on reducing waitlists by delivering more care through investment in private partnerships

25. We are taking a balanced approach to the provision of services through a mix of in-house, insourced and outsourced services. Compared to previous years, we are placing greater emphasis on private partnerships to reduce waitlists.

26. Each region has a focus on improving the efficiency and effectiveness of care across the three service delivery models (in-house, insourced and outsourced). Foci include:

    a) In-house service optimisation by expanding elective surgical capacity through theatre optimisation and workforce support (including targeting the worst performing theatres and identifying potential staff shortages driving these to shift recruitment focus on the areas that will drive the greatest return-on-investment in terms of additional capacity).

    b) Insourced service optimisation through focusing on building in-house capacity not limited to case complexity and reconfiguring some sites to focus on higher-volume, lower-bed-requirement activity (such as Burwood Hospital, detailed later in this paper).

    c) Outsourced service optimisation through continuing Elective Boost outsourcing targeted at long-waits with close monitoring to avoid inequity or imbalance in the case mix; focusing on getting the complexity mix right for outsourced services and maximising the limited private sector capacity to match the limited public sector capacity (i.e., what is the optimal mix split across complexity to service delivery model to speciality that will deliver the best use of Health NZ's funding).

27. We are already seeing early benefits in placing a greater focus on private partnerships through outsourcing, with the number of patients waiting more than four months for elective treatments trending downwards. We anticipate this will continue over the next financial year and are identifying opportunities to speed up this performance boost.

28. There remain some challenges in identifying the optimal inhouse-insource-outsource mix, noting the capacity constraints, particularly in Central region. We anticipate that these challenges will continue in the 2025/26 financial year, but are working with our partners in the private sector to maximise available resource.

We have built an expectation of productivity gains, with work underway to further identify where we can deliver more care within existing resources

29. Changes in productivity are reflected in the budgeted costs of delivering the planned level of internal activity in 2025/26. Total costs related to this activity are budgeted to increase by 2.1% in 2025/26. In real terms (adjusting for inflation), this means our internal budget factors in a productivity improvement of 2.6%-2.8%. This will require a concerted effort to achieve this level of productivity improvement.

30. Regions have built this level of productivity improvement into their budgets and activity plans. Work to materialise this productivity improvement varies by region but reflects an expectation that there will be an across-the-board focus on uplifting theatre productivity (including through potential expanded hours of some theatres and investigating opportunities to align staffing availability with theatre hours), reduced lengths of stay (supported through programmes such as the Budget 2025 investment in Aged Care acute transfers), a reduction in unnecessary follow-ups, and redistribution of resources to higher productivity areas as required.

31. The management of workforce, especially managing clinical staffing pressures in high-volume clinical areas, will be the focus of clinical and management leaders to ensure the safety of services, the management of patient flow and the effective use of resources.

32. Further work is underway to examine a number of specialties, including mental health and addictions, maternity, paediatrics, cancer, radiology, and diagnostics, on service-specific regional limitations to delivering productivity or efficiency improvements. Specific work will be targeted towards the specialties which face the greatest risk of poor performance over the next financial year.

Some additional capacity will be delivered by operationalising investments in the Manukau Health Park, Tōtara Haumaru, and Burwood Hospital

33. Three facilities are our priority to operationalise in 2025/26, supporting the delivery of the activity plans for the next financial year. These are the Manukau Health Park surgical centre, Tōtara Haumaru and Burwood Hospital.

Manukau Health Park

34. The Manukau Health Park expansion is a multi-stage development of a dedicated elective outpatient and inpatient facility. It comprises three additional buildings housing surgical theatres, outpatient clinics, diagnostic screening services and Radiology.

35. In 2024, outpatient clinics at Manukau Health Park delivered around 295,000 clinic appointments, including 78,000 First Specialist Appointments, 210,000 follow-ups and the remainder for minor procedures. Ten theatres are currently delivering approximately 8,250 surgical procedures annually across Orthopaedics, General Surgery, Gynaecology, Plastics, Ophthalmology, ENT and Urology, including diagnostic procedures such as non-acute colonoscopies.

36. The additional capacity delivered by Manukau Health Park has been budgeted in the activity plans for 2025/26. Health NZ is working through the staffing requirements of this operationalisation and ensuring funding will be available for go-live, supported by the Elective Boost.

37.

Tōtara Haumaru

38. Tōtara Haumaru, a four-level surgical and inpatient facility located on the North Shore Hospital campus, opened on 30 June 2024. The facility includes eight operating theatres, a four-room endoscopy suite and 150 inpatient beds. It was developed to meet the growing demands of Metro Auckland and Northland and is now the main site for non-orthopaedic elective surgery in Waitematā.

39. In 2025/26, at least two additional theatres will be introduced across Waitematā (enabled through Elective Boost funding). This is in addition to the baseline regional production plan and will support both local and regional volumes, enhancing equitable access.

40. This capacity is resourced to enable the Northern region to flexibly manage acute and elective demand to support the achievement of the elective treatments and SSED Health Target milestones.

Burwood Hospital

41. The Burwood Hospital expansion project is the first stage in transitioning the facility into a dedicated elective site using the existing four operating theatres. The proposed model would designate Christchurch Hospital as the site for acute, more complex/tertiary level surgery, while high-volume, short-stay elective surgery would flow to Burwood Hospital.

42. Once operational, Burwood Hospital will be able to provide an additional 696 half-day theatre sessions per annum, which would have a significant impact on reducing the wait list. Applying an average number of patients per half-day theatre session, it is estimated that this equates to being able to deliver an additional 3,378 procedures per annum for the region (1,695 for the Canterbury Catchment area).

43. Since the approval of the business case in March 2025, an additional 150 procedures have been delivered, predominantly within the Orthopaedic surgery specialty. It is envisaged that all additional sessions will be operational in July 2025. The additional 10 beds required for increased activity will be fully operational in July 2025.

Performance monitoring

47. Our internal monitoring mechanisms have improved since the 2024/25 financial year, with a greater level of granularity and accuracy across both budget and activity data. We will continue regular internal monitoring with a particular focus on regional HSS activity and performance against the Health Target milestones in the context of the overall budget for 2025/26.

48. We are intending to provide you with regular updates against activity performance through the existing Quarterly Performance Report to align with our broader reporting against the Statement of Performance Expectations (SPE) 2024/25 and will provide you with further updates as required through existing mechanisms such as the Weekly Report.

49. As noted above, if variation to the activity plans occur, or we expect the forecasts to vary

significantly from the original production plans, Health NZ will advise you on this through our regular reporting mechanisms. Any flow-on financial impacts will also be monitored and worked through accordingly.

Next steps

50. Health NZ will continue to provide you with regular updates on our performance against the 2025/26 production plans, primarily expected activity levels, through existing reporting mechanisms.