

Annette King
25 Kilbirnie Plaza
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March 2014

Dear Annette

HBL

I am really surprised that Labour don't seem to have picked up on the Novopay equivalent in health.

I was unfortunate to see a copy of a communication from the Chair of the National DHB CFOs group raising concerns that make Novopay look good by comparison.

There has been serious pressure applied to CFOs and others to bury the issues being raised and to do everything possible to push as much as possible beyond the election.

This is further to the smoke and mirrors that is being applied to make HBL look as though they are delivering savings that are in fact not real or have been generated by DHBs.

I have been horrified by what I have seen.

Yours sincerely

Canterbury

District Health Board

Te Poari Hauora o Waitaha

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7 March 2014

Dr Kevin Snee
Chair, DHB Chief Executives
Hawke's Bay District Health Board
Private Bag 9014
Hastings 4156

Dear Kevin

The DHB CFOs as a group are writing to express profound concern at the mounting risks to the delivery of health services brought about by the Finance Procurement and Supply Chain [FPSC] work programme, and the lack of transparent and timely information from Health Benefits Limited [HBL] to District Health Boards in relation to material changes to the programme, including to costs, benefits, impacts and risks.

Specifically, we are increasingly concerned at advice we have received from HBL in relation to benefits erosion, which HBL remain unable to quantify at this time. Cost escalations have also been signalled, but they too remain unquantified at this time. A potential delay of at least one, and up to two years for full programme implementation has been advised by HBL, with no available assessment from HBL of the risk that this poses to the continuity of FPSC functions across the health system in the wake of the restructuring which has already occurred.

Additionally, we are very concerned at the diffuse and opaque accountability for programme decision-making. This is manifesting in the inability of the programme's Steering Group [which includes CFO representation] to provide effective steerage in the wake of decision-making by the HBL board. Accountability is further undermined by the lack of meaningful and timely engagement with the sector, which is creating further risk in and of itself. We understand that there are current changes being made to the form and accountability of the steering of this project, which we support.

We are aware that following the receipt of advice from HBL about cost escalations, benefits erosion and implementation delays in November 2013, the Steering Group has made

repeated requests for a clear picture of current state, and a revised estimate of costs, benefits, likely timeframes and communication strategies for staff and other stakeholders. This has not yet been forthcoming. We have been informed that HBL has engaged PWC and EY to determine a revised implementation plan [including costs and benefits] which will be available to a meeting of the HBL board on 14 March. HBL has however advised that there is no intention to issue revised information back to the boards of District Health Boards for approval/reconfirmation.

After careful consideration at our recent national meeting, CFOs consider it necessary to formally bring to the attention of national CEs our grave and collective concerns about the FPSC work programme, its cost escalations, implementation delays, benefits erosion and escalating risk profile.

DHBs are in the midst of financial planning that is predicated upon assumptions from HBL which include costs that are likely understated and savings that are now at real risk. Additionally, DHBs are well advanced in restructuring processes associated with this programme and are now facing significant risks in relation to the retention of the staff necessary to enable the continuation of current service until implementation of the national programme can be achieved. The lack of timely communication from HBL, and the absence of a revised and credible implementation plan is further increasing this risk.

The confidence of CFOs in the FPSC programme has been severely diminished. By way of this letter, we are seeking to formally notify CEs of our concerns, and we are requesting guidance about how we might continue to work to mitigate the risks associated with the programme and deliver on the commitment of the sector to work with HBL to realise the benefits that were originally proposed for the not insignificant investment of the sector.

Yours sincerely



Justine White
Chair
DHB National CFOs

Copy to: Andrew Gaudin, Ministry of Health
John Hazeldine, Ministry of Health
DHB CFOs