

# New Zealand health system faces steep funding cuts, possible privatisation

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Last week the health minister in New Zealand's right-wing National Party-led government, Shane Reti, announced he was replacing the board of Health NZ Te Whata Ora with a commissioner. The sudden move, Reti declared, was due to "serious concerns around oversight, overspend and a significant deterioration in financial outlook."

Reti claimed the country's public health system is headed towards a \$1.4 billion deficit by the end of the financial year with "overspending" of \$130 million per month. In a post-cabinet press conference on July 22, Prime Minister Christopher Luxon said there was a lack of "performance management" at Health NZ, which he described as an overly centralised system with a "massive bureaucracy" and financial mismanagement.

Luxon claimed it was "not an issue of lack of funding," but that the failures "require an urgent and significant intervention." He pointed to the government investing an additional \$16.3 billion into the health system over the next three budgets.

Posting on social media, Reti claimed that the deficit could not be blamed on "underfunding" by the present government. "This is not a money problem," he declared, but was "thanks to Labour's botched reforms." The reference was to the previous Labour government's restructuring which amalgamated 20 District Health Boards (DHBs) into the single agency Health NZ.

The commissioner, Lester Levy, has been appointed to impose swinging cuts to the fragile health system, eliminating the deficit by focusing on "cost efficiencies" and stopping the monthly "overspend." Levy is a former chairman of three Auckland region DHBs. An ex-pathologist, he has served on a series of corporate boards while founding and heading a private hospital. There are widespread fears that his real task is to prepare the health system for privatisation.

In April, Health NZ ordered "emergency measures" to

clamp down on expenditure, claiming it could not go into the new financial year in deficit. It instructed hospitals to address "personnel related costs" including an end to working double shifts, limitations on replacing sick staff and forcing doctors and nurses to use their accumulated leave, leaving hospitals desperately understaffed.

The claim there is "no lack of funding" is a blatant lie. Although the health allocation went up by 2.9 percent in the budget, inflation is running at 3.3 percent and population growth 2.6 percent. According to Council of Trade Unions economist Craig Renney, prior expenditure commitments mean the real net increase is only 0.4 percent. Health economist Peter Huskinson wrote in *New Zealand Doctor* that health spending per person will reduce by 3 percent over the next year.

Conditions in the health system have deteriorated dramatically over the past decade. Following the global financial crisis of 2008, the then-National Party government effectively froze wages for nurses and other health workers and starved hospitals of funding for staff, building upgrades and other resources. Levy told a parliamentary committee in 2018 that over the previous five years resourcing of hospitals had not kept pace with population growth of 9.4 percent, an 18.8 percent increase in emergency department admissions and 15 percent rise in in-patient discharges.

Nothing was resolved with the election of the Labour Party-led government in 2017. A sellout pay agreement settled by the NZ Nurses Association (NZNO) maintained low wages, with an increase of just 3 percent per year for 2017-2019 for most nurses, midwives and healthcare assistants. Funding to increase staff numbers was a meagre 500 places nationally, maintaining conditions of severe understaffing.

The decision by the last Labour government to end its COVID-19 elimination strategy in late 2021 and adopt a policy of mass infection, has led to more than 4,300

avoidable deaths and 42,400 hospitalisations, exacerbating the crisis of unmet need. Official figures show that in December 2023, 68,179 people were waiting longer than four months for a first specialist appointment—the number almost doubling since September 2022—and 30,757 were waiting longer than four months for a procedure.

Christchurch surgeon Phil Bagshaw told the *Post* last week: “The health system has been seriously underfunded for decades. Anybody who thinks they can come in and make sweeping changes to the system should talk to the doctors and nurses who are working themselves to exhaustion to keep a failing system going.”

Recently doctors at Rotorua Hospital’s emergency department were told by letter the region was moving to a “single roster” with the department at Taupo Hospital, which is in danger of closing due to a shortage of five doctors. Senior clinicians said they were “blind-sided” by the “bombshell” directive, which involves a two-hour round trip or overnight stays.

Staff shortages at Rotorua Hospital are so dire that patients are being sent back to the emergency department from other wards, according to the junior doctors’ union. In April, it was reported that the children’s ward was missing a third of its beds as winter hit because Health NZ had halted an upgrade partway through to “review costs.”

Under Labour and National governments repeated strikes involving nurses, doctors, midwives, laboratory workers and allied health workers have erupted over the atrocious conditions in the health system. They were, however, kept isolated from each other and limited to one or two days by the union bureaucracy who pushed through deals that failed to address the staffing crisis, unsafe working hours and low pay.

Levy last week falsely described Health NZ as “totally bloated.” Speaking to Radio NZ (RNZ), he emphasised: “We have to reduce the size of the organisation in order to allow the organisation to be financially sustainable over time.” Health NZ must “live within its budget,” he declared, adding “we need to do more with the resources we’ve got rather than just constantly asking for more resources [be]cause we need to provide more value.”

As many as 3,000 jobs may now be axed. RNZ reported that, according to a leaked letter, the time frame is “brutally fast.” Jobs of two national directors and their support staff will go, while a freeze on filling vacancies—including at the clinical coalface—will be maintained until the “financial freefall” is turned around. “The mood among staff is “shock and dismay,” RNZ

reported.

The cost-cutting is being instigated amid a sweeping assault on the public sector as part of the far-right National Party-ACT-NZ First government’s austerity agenda. Over 6,000 public service jobs have already been axed as Finance Minister Nicola Willis imposes annual spending cuts of \$NZ1.5 billion, up to 7.5 percent in each government department.

There is deep hostility to the government’s agenda, with its massive attack on the social position of working people while handing millions in tax cuts to the wealthy and a layer of privileged landlords. When Willis presented the budget in May, thousands protested in major centres and many regional locations while in the capital, Wellington, a crowd estimated at 5,000-7,000 descended onto parliament grounds.

The corporatist trade unions, however, have made clear that nothing will be done to defend any jobs. Far from mobilising an industrial and political campaign across the working class, they are already enforcing the cuts, including by corralling workers behind whatever paltry exit provisions may be on offer as they are ushered out the doors.

The Public Service Association and E t?, the principal unions in the public sector, have meanwhile channelled widespread opposition into the legal system claiming that the sackings have been executed outside employment contract provisions. These legal cases change nothing—the sackings still proceed but now with the collaboration of union bureaucrats who ensure that the correct “process” is followed, while each group of workers is kept isolated from others.

Fears that the assault is a prelude to wholesale privatisation of health care are well-founded. Health is the country’s biggest public agency, employing 90,000 staff with a budget of \$NZ28 billion and assets of \$25 billion. The government’s far-right coalition partner ACT is currently ramming through a privatisation model in education that will see the establishment of up to 80 publicly funded, privately run Charter Schools, designed to operate entirely independently of the public system. This is just the beginning.



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