



RED LETTER: IMPLEMENTATION OF THE GOVERNMENT'S PRIMARY HEALTH CARE STRATEGY

The issuing of a "Red Letter" is the traditional method for the New Zealand Medical Association ("NZMA") to notify its members, the wider profession, and the community, about serious issues affecting the profession and/or the health of New Zealanders. This letter is intended to advise you of the NZMA's very serious concerns about aspects of the implementation of the Government's Primary Health Care Strategy, particularly the funding proposals, which have the potential to seriously destabilise general practice, and to cause new and serious inequities in respect of New Zealanders' access to general practice services.

While we express these concerns, we continue to support the concepts behind the Primary Health Care Strategy, including higher funding levels for primary care, capitation of subsidies, and enrolment. However, despite our warnings over many months, the Government is adopting implementation strategies, particularly in respect of the distribution of funding, which carry high levels of risk which have not been properly researched or analysed.

Two of our major concerns are:

- (1) In transition to its stated goal of universal access to 80% funded care (i.e. all New Zealanders to receive subsidies of about 80% of the cost of services) over the next 8 to 10 years, the Government has introduced significant new funding for primary care. This is positive. What is not positive is its intention to progressively use this money to fund only some Primary Health Organisations ("PHOs") or practices within a PHO. To become eligible for this extra funding, PHOs must have enrolled populations of more than 50% of Maori, Pacific islanders or people in decile 5 of the NZ Deprivation Index. This means that in such a PHO or practice, all enrollees, including wealthy people, would receive significantly higher subsidies, while practices/IPAs in other areas, including neighbouring areas, will receive no extra funding even for their most deprived enrolled patients.
- (2) It is proposed that to access this extra funding, PHOs will be required to "commit to low co-payments or free services". This would be achieved by the PHO agreeing to fix "co-payments" (i.e. fees) for its practices, for a fixed period of time. This, in our view, effectively means GPs "agreeing" to limit their fee levels.

The NZMA, together with other national organisations, is strongly opposed to these proposals and we have formally confirmed our opposition in a letter sent to the

Minister of Health on 27th June 2002 (though she is already well aware of our concerns which have been expressed at a number of meetings with her and the Ministry).

We have told her that we are opposed to the proposed funding model because of the inequities it will cause for patients and because of the disruptive and divisive effects it will have on a GP workforce which is already under huge pressure. We have proposed an alternative concept based on an enhanced individual targeting model, in which additional funding would be directed at increasing subsidies for all those New Zealanders most in need, and which will be far less risky and divisive.

We have also told her that we are strongly opposed to the proposals to 'fix' co-payments and have asked her to abandon them. We remain strongly of the view that private sector general practitioners must retain the unfettered right to set and charge a fee. The medical profession has learnt that it simply cannot trust Governments to increase subsidies over the years, and any attempt to limit co-payments/fees will, in the long-term, limit or even reduce GP incomes. Reduced fee levels will also inevitably affect patient care, with pressures on quality of service, and the likelihood of reduced consultation times (e.g. the 6-minute consultation which is standard in the failing Australian Medicare model). However, we have assured Mrs King of our support in ensuring that the maximum possible amount of new funding to improve patient access is passed on to patients, while acknowledging that some practices may need to increase fees to remain viable.

We are waiting for Mrs King's answer to our letter. In the meantime, we have been aware of growing levels of concern among our general practitioner members, and the wider GP community about the Government's plans, and we felt that we needed to advise you both of the situation, and of our very strong and consistent advocacy on behalf of you and your patients.

Until we receive a satisfactory response from the Government, our advice to you is simple and straight-forward. We suggest that you and your practice exercise extreme caution regarding any moves to become part of or involved in a PHO. We also suggest that if you are a member of an IPA, you should strongly advise the IPA leadership to exercise similar caution.

We will keep you informed of any progress, but we are also very interested in hearing your views. Please feel free to contact the National office, or either of us. We also encourage you to pass this letter to any colleagues who are not NZMA members.

Yours sincerely



John Adams
CHAIRMAN NZMA



Tricia Briscoe
CHAIRMAN GP COUNCIL