

Is the New Zealand Health System Being Privatized by Stealth?

Dr Victor Luca

30-Aug-22

Health systems around the world can fall anywhere on a spectrum from the totally public system of the UK's NHS to the essentially fully privatized system of the United States. We in New Zealand fall somewhere in between. I have been trying to ascertain where exactly we are located on this spectrum and it hasn't been easy.

In analyzing the performance of a health system one needs to carefully decide on the metrics to use. These may include, the number doctors, nurses (workforce) and hospital beds per capita, the average life expectancy of the population, the availability of medical equipment and instrumentation, waiting times for medical procedures and healthcare spending as a percentage of GDP. Many agencies perform these types of analyses and we don't fair exactly in the top.

Let's start by looking at the relationship between two of the mentioned metrics, the healthcare spending as a percentage of GDP and average life expectancy of the population.

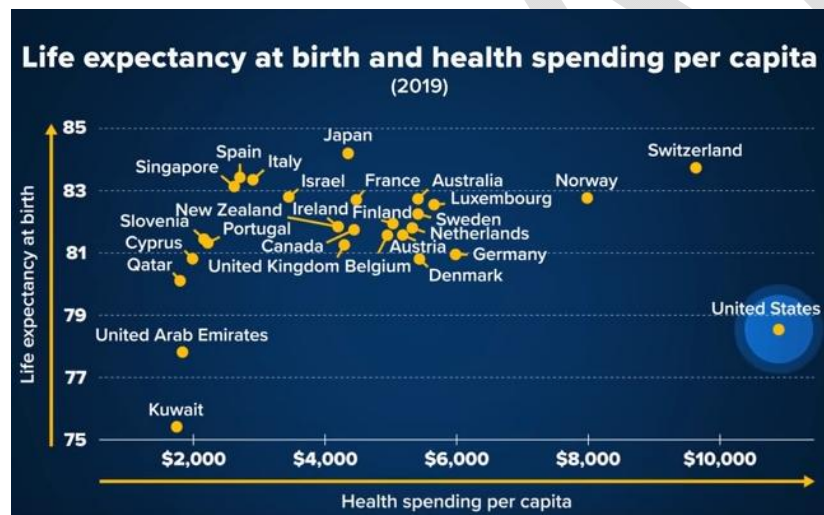


Figure 1. Relationship between healthcare spending per capita in terms of PPP and the average life expectancy at birth of the population. Source: WHO and World Bank.

In terms of these metrics the United States of America is a clear standout, and not in a good way. They spend almost three times what we and the UK spends per capita and have inferior outcomes.

Within the group of countries that spend between \$2,000 and \$6,000 per capita there is no clear correlation between what is spent and life expectancy. Although average life expectancy is a fairly blunt indicator, no matter how you cut it, the US is a poor performer both economically and in

terms of outcomes. One might conclude therefore that if private is better, the US should not be sitting way out at left field.

The data of Figure 1 in fact argues exactly the opposite, that privatization is bad! There is little doubt that the US has the best technology and is highly innovative as far as medical research is concerned. However, for the average Joe Blow this is all pretty irrelevant. The inequities in their system are such that if you have the money you get the best treatment in the world, but if you don't, you are effectively doomed. In a system where the level of care you get depends on your ability to afford insurance, thirty five million Americans are either un-insured or under-insured. This is hardly what I called civilized.

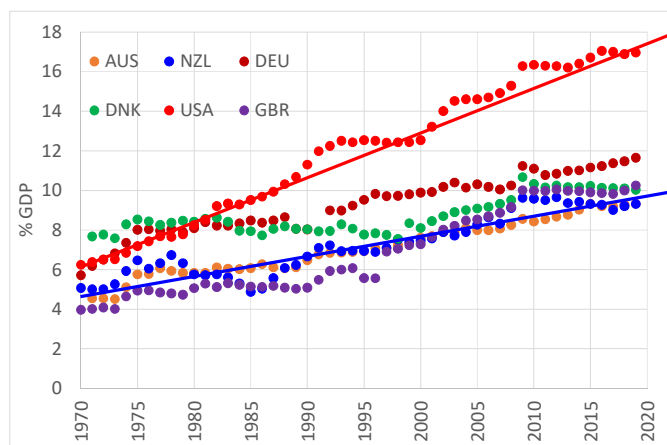


Figure 2. % GDP spent on health over time for selected developed countries.

A quick look at healthcare spending over time (Figure 2) shows that in 1970 the US spent roughly what other comparably wealth countries spent in terms of % GDP, about 5-6%. However, US healthcare costs have burgeoned over time, and have reached a whopping 20% of GDP. These costs have increased linearly over time and the curve shows no signs of bending. If privatization really does make for efficiency and lower costs as the mantra goes, then why has the curve not bent? I could easily argue therefore that privatization does nothing to slow costs, rather it is driving them.

Also evident in Figure 2 is that US healthcare costs are diverging from those of the other countries shown i.e. increasing at a faster rate. In NZ our costs have increased from about 5% of GDP in 1970 to about 8% of GDP now. A relatively modest increase over half a century, although we are clearly not bending the curve either.

At the moment in our country about 35% of our population has private health insurance. So by definition we have a two-tier system of haves and have nots. No one can logically argue that we have equity in health. If you have health insurance then presumably you get a prompt and premium service, while those who don't, get the waiting list.

My question is, in terms of the private-public split, in which direction are we heading? Are we in fact slowly heading down the US road toward a more privatized system?

Figure 3 shows the relative proportions of private and public workforce in terms of percent FTE (Full Time Equivalents) for various health specialties for the current calendar year.

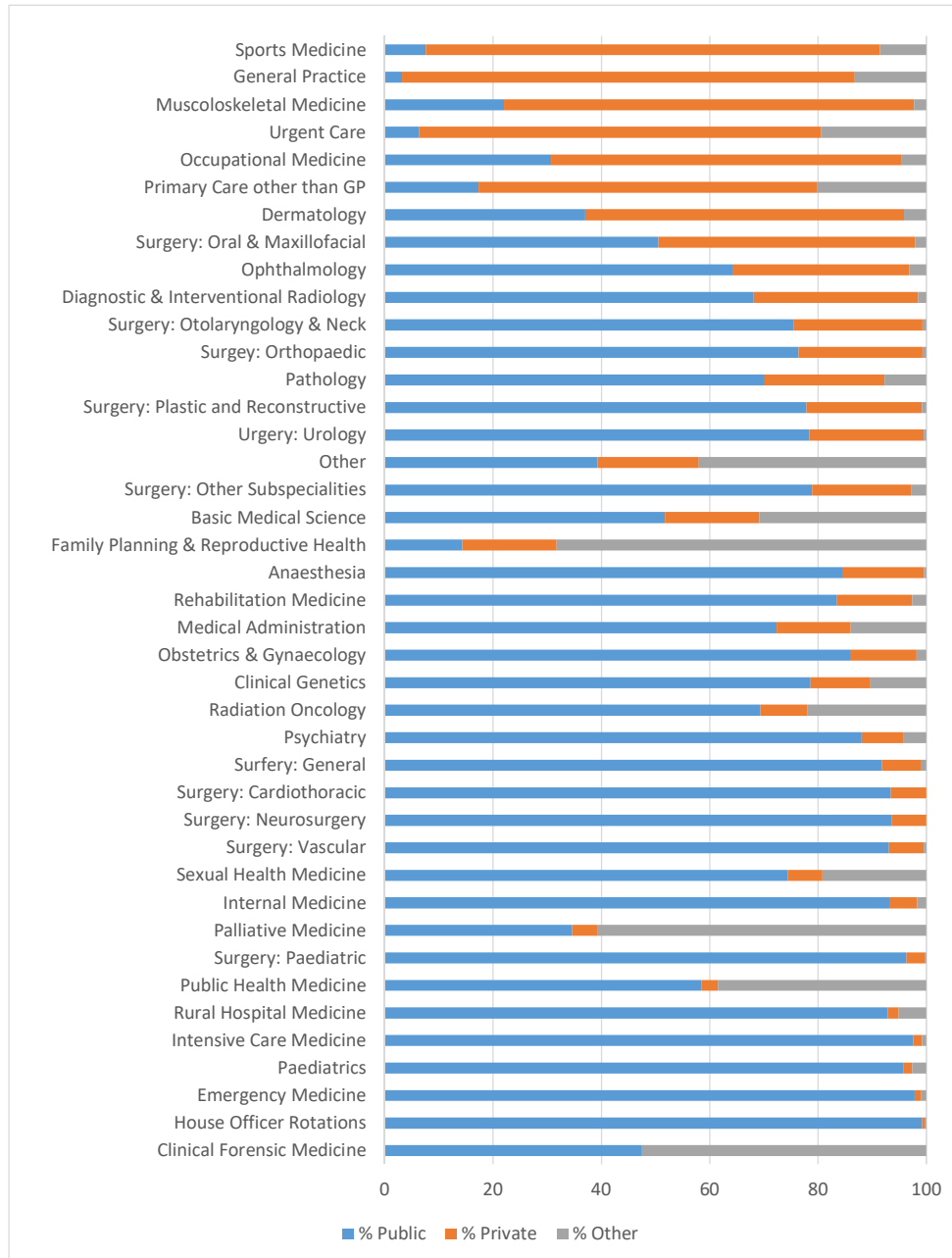


Figure 3. Workforce data for the present calendar year in terms of FTE. Source: Ministry of Health.

It can be seen from Figure 3 that certain components of our health system are highly privatized. For instance, Sports Medicine, General Practice, Musculoskeletal Medicine and Urgent Care are highly privatized in terms of workforce.

Recently, I requested via the OIA process all historical workforce data and received data only from June of 2020. It can be assumed therefore that the MoH does not have data going any further back. If this is so, then it is quite remarkable that we have keep such poor records of such a fundamental parameter.

We therefore have a huge data black hole. If you don't have this sort of baseline data then how can you make good decisions? How can you even reform the system? Moreover, it would be impossible to tell in 10-20 years from now, whether the reforms resulted improvements.

I have asked the MoH for a business case or other documents to substantiate the validity of the ideology that private results in economic efficiency and better outcomes. Nothing is ever produced.

Focusing in on Pathology, the data (Figure 4) shows that the % privatization of pathology in terms of FTE has gone from 16.8% in June of 2020 to 22% up to the present. In other words an increase of 31% in a little under two years. If that rate of privatization continues then all of pathology will be privatized in just a few years. Radiation oncology has gone up 23% over the same time period.

Workforce data aside, recent media reports indicate that 75% of pathology is in the hands of private companies. It is difficult to reconcile this number with the workforce data shown in Figure 4.

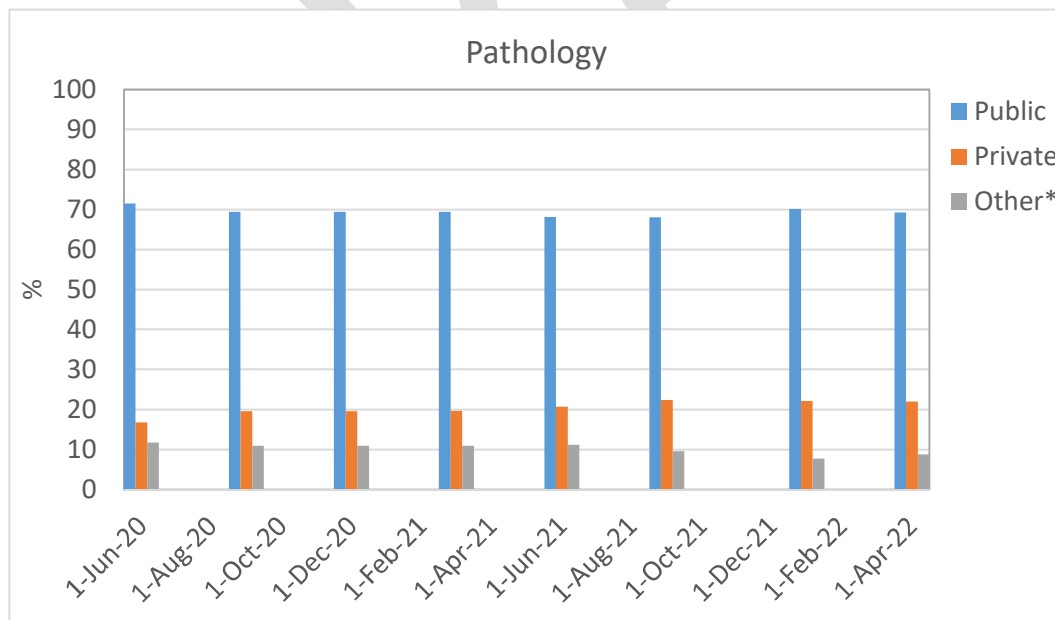


Figure 4. Change the pathology workforce from 1-Jun-20 to 1-Apr-22.

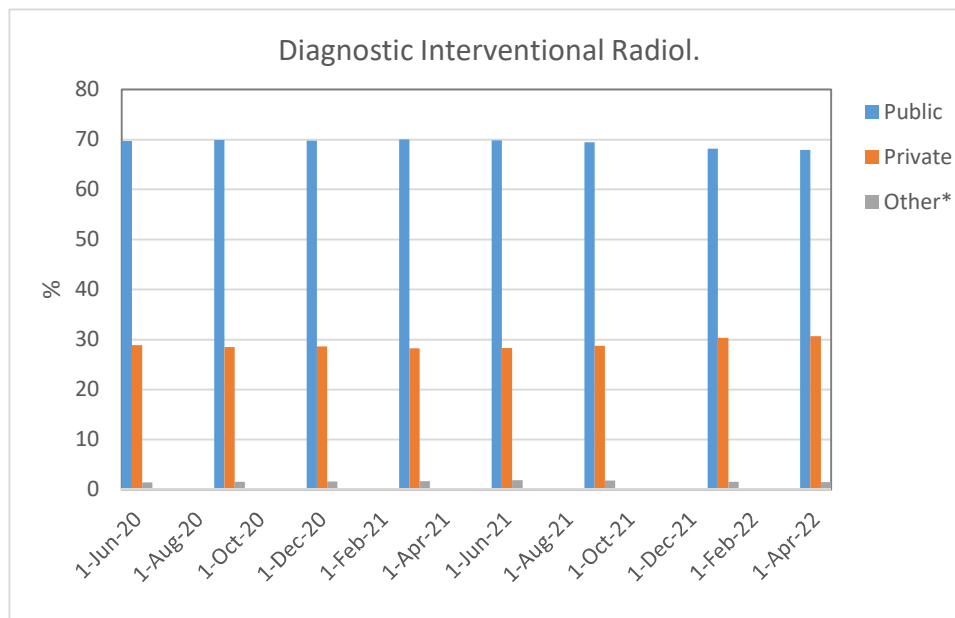
Diagnostic interventional radiology appears to be going the same way as pathology with privatization increasing in terms of FTE by over 22% in less than two years.

On the basis of the limited amount of data that the MoH was able to make available to me, there appears to be a strong evidentiary case for the increased privatization of our health systems.

How you conduct a proper science-based reform of such a complex system with such poor data is beyond me.

As for the level of inequity, in separating the system into a Maori Health and everyone else they have no introduced a new level on inequity, one based on race.

DRAFT

Appendix 1. Workforce data for medical specialties.

Workforce data for Diagnostic Interventional Radiology. The data shows a 2% increase in the level of privatization over from 1-Jun-20 to 1-Apr-22.

Appendix 2. Medical Diagnostic Imaging Data. Throughput is given in patients processed per year.

X-ray CT					
	DHB	Number	Capital Funding	Operating Funds	2020 Throughput
Northland					
1	Auckland_DHB	5	ADHB	ADHB	78,209
2	BOPDHB	3	BOPDHB	BOPDHB	15,926
3	Capital & Coast DHB	1	CCDHB	CCDHB	9,295
4	Counties Manukau Health - Middlemore	4	DHB	Middlemore	36,146
5	Hawke's Bay	1	HBDHB	HBDHB	15,743
6	Hutt Valley DHB	1	HVDHB	HVDHB	1,295
7	Lakes_DHB	1	LDHB	LDHB	7,678
8	Mid Central DHB	6	MCDHB	MCDHB	56,188
9	Northland_DHB	2	NDHB	NDHB	18,561
10	Taraiwhiti_DHB	1	Taraiwhiti_DHB	Taraiwhiti_DHB	5,510
11	Taranaki_DHB	1	Taranaki_DHB	Taranaki_DHB	10,106
12	Waikato_DHB (Waikato)	2	Waikato hospital	Government	25,128
	Waikato_DHB (Thames)	1	Thames hospital	Government	5,562
13	Wairarapa_DHB	1	Wairarapa_DHB	Wairarapa_DHB	4,468
14	Waitemata_DHB	5	Waitematā DHB	Waitematā DHB	35,394
15	Whanganui	1	Whanganui_DHB	Whanganui_DHB	7,881
Southland					
16	Canterbury_DHB	6	CDHB	CDHB	43,286
		2	Private	Private	?
17	Nelson-Marlborough_DHB	2	NMDHB	NMDHB	17,050
18	South Canterbury_DHB	1	SCDHB	SCDHB	7,721
19	Southern District_DHB	7	SDDHB	SDDHB	10,562
		3	Private	Private	8,987
20	West Coast_DHB	1	WCDHB	WCDHB	3,706
		2	Private	Private	?
Total		60			424,402
% Private		6.67			

MRI Imaging					
	DHB	Number	Capital Funding	Operating Funds	2020 Throughput
Northland					
1	Auckland_DHB	3	ADHB	ADHB	13,593
2	BOPDHB	4	Private	Private	5,091
3	Capital Coast DHB	2	CCDHB	CCDHB	6,561
4	Counties Manukau Health - Middlemore	3	DHB	Middlemore	9,538
5	Hawke's Bay	1	HBDHB	HB_DHB	2,185
5	Hutt Valley DHB	1	HVDHB	HVDHB	4,200
7	Lakes_DHB	1	LDHB	LDHB	4,014
8	Mid Central DHB	1	MCDHB	MCDHB	6,151
9	Northland_DHB	1	NDHB	NDHB	4,421
10	Tairāwhiti_DHB	1	Tairāwhiti_DHB	Tairāwhiti_DHB	2,094
11	Taranaki_DHB	1	Taranaki_DHB	Taranaki_DHB	2,686
12	Waikato_DHB	2	Private	Private	11,804
13	Wairarapa_DHB	0	NA	NA	1,050
14	Waitemata_DHB	2	Waitemata_DHB	Waitemata_DHB	8,602
15	Whanganui	1	Whanganui_DHB/ACC	Whanganui_DHB	3,581
Southland					
16	Canterbury_DHB	5	CDHB	CDHB	10,431
		5	Private	Private	3,054
17	Nelson-Marlborough_DHB	2	Private	Private	4,712
18	South Canterbury_DHB	1	SCDHB	SCDHB	2,314
19	Southern District_DHB	2	SDDHB	SDDHB (Dunedin-Southland)	6,909
20	West Coast_DHB	5	Private	Private	748
Total		44			113,739
% Private		36.36			

SPECT Imaging					
	DHB	Number	Capital Funding	Operating Funds	2020 Throughput
Northland					
1	Auckland_DHB	2	ADHB	ADHB	7,991
5	Hawke's Bay	1	HBDHB	HBDHB	2,888
8	Mid Central DHB	1	MCDHB	MCDHB	1,360
11	Taranaki_DHB	1	TDHB	TDHB	
Southland					
16	Canterbury_DHB	2	CDHB	CDHB	3,417
19	Southern District_DHB	2	SCDHB	SCDHB	4,030
Total		9			19,686
% Private		0.00			

PET-CT					
	DHB	Number	Capital Funding	Operating Funds	2020 Throughput
Northland					
1	Auckland_DHB	1	Private	Private	934
2	BOPDHB	1	?	?	287
3	Capital Coast DHB	1	Private	Private	465
4	Hutt Valley DHB	1	Private	Private	125
5	Waikato_DHB	1	Midland PET Ltd	Private	710
6	West Coast_DHB	1	Private	Private	
Total		6			2,521
% Private		100.00			

Cardio Ultrasound					
	DHB	Number	Capital Funding	Operating Funds	2020 Throughput
Northland					
1	Auckland_DHB	3	ADHB	ADHB	
2	BOPDHB (Whakatane)	1	Private	Private	?
	BOPDHB (Tauranga)	4	BOPDHB	BOPDHB	?
3	Capital Coast DHB	7	CCDHB	CCDHB	5,720
4	Counties Manukau Health - Middlemore	8	DHB	Middlemore	11,000
5	Hawke's Bay	3	HBDHB	HBDHB	2,940
5	Hutt Valley DHB	2	HVDHB	HVDHB	2,381
7	Lakes_DHB	1	Lakes_DHB	Lakes_DHB	1,300
		1	Lakes_DHB	Lakes_DHB	784
		1	Gift	Lakes_DHB	523
8	Mid Central DHB	2	MCDHB	MCDHB	2,102
9	Northland_DHB	3	Northland_DHB	Northland_DHB	4,703
10	Taraiwhiti_DHB	1	Taraiwhiti_DHB	Taraiwhiti_DHB	1,554
11	Taranaki_DHB	1	Private	Taranaki_DHB	1360
12	Waikato_DHB	6	Waikato hospital	Government	9,496
13	Wairarapa_DHB	2	W_DHB	W_DHB	695
14	Waitemata_DHB	3	Public	Waitematā_DHB	7,464
		5	Public	Waitematā_DHB	
15	Whanganui	1	Whanganui_DHB	Whanganui_DHB	1321
Southland					
16	Canterbury_DHB	9	Canterbury_DHB	Canterbury_DHB	10,162
17	Nelson-Marlborough_DHB	3	N-M_DHB	N-M_DHB	3,640
18	South Canterbury_DHB	4	SCDHB	SCDHB	?
19	Southern District_DHB	6	SC_DHB	SC_DHB	?
20	West Coast_DHB	1			
Total		78			
% Private		2.56			