Health system funding is already ‘needs-based’

Fundamentally, our health system is based on the principle that we spend most health dollars on the people who need most care. That allows for everyone to be looked after with out bankrupting the nation.

To make that work, GPs and nurses need to be formulae. At present, the money flows in such a way that the Health Ministry funds district health boards using a population-based formula. They get a certain number of dollars a head, adjusted on a ‘needs basis’.

The DHBs fund primary health organisations, like GPs and nurses, using more of the kind of needs-based formulae. The main factors affecting money allocation are:

- Population size, which gives a baseline “per person” allowance.
- Age of the population — adjustments are made for the greater needs of the old and very young.
- Gender — adjustments are made for the greater needs of women in their child-bearing years.
- Socioeconomic deprivation — there are adjustments for the greater needs of people living in socioeconomically deprived areas.
- Ethnicity — adjustments are made for greater needs in Maori and Pacific populations.

Ideally it would be nice to have to use such clumsy things as formulae with complicated weightings of generalised factors like these, but in the absence of detailed accurate health data for every person in New Zealand, they are what we have to work with.

Some of the factors used to spread the money don’t generally raise eyebrows. Who would object to the very old, babies and pregnant or new mothers getting more of the kitty.

Instead, the focus of recent debate has been on the relative importance of socioeconomic deprivation and ethnicity. The calls for the emphasis to be on socioeconomic factors is well-founded. For well over a century, researchers have demonstrated a strong link between poverty and poor health.

This association is unlikely to go away in the foreseeable future, though needs-based funding should help reduce inequalities.

However, the recent public debate has tended to miss the fact that, in contemporary New Zealand, ethnicity is an important measure of need, even after socioeconomic deprivation is taken into account.

The accompanying graph measuring life expectancy by deprivation and ethnicity shows, as recently reported, that Maori people can expect to live into the earlier than European New Zealanders with similar levels of socioeconomic deprivation.

In future, we hope this will not be the case. Then, when the health status of all ethnic groups is similar, we can drop ethnicity from the formulae. In the end, the health system can do only so much to change the extent of health needs. We rely on the economy, high employment rates, the education system, good housing and the myriad other factors that create healthy populations. But we do expect the health system to respond to health needs. It is the ambulance at the bottom of the cliff... and the ambuance needs to be funded to respond to the needs of everyone, and to respond to those who have the greatest levels of sickness.

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