Media Statement: 21 April 2022

Latest inflation figures could be the final nail in the coffin for many essential family doctor services

New Zealand's latest CPI inflation figure of 6.9% could signal the end of free GP visits for under 14-year-olds, childhood immunisations and many other essential population health services for the country's most vulnerable communities. That's according to New Zealand's general practice association (GenPro) which states that spiralling inflation is the latest in a series of significant, yet unfunded, cost increases for community-based family doctor and urgent care services.

Chair of the GenPro Board, Dr Tim Malloy (pictured), said "This country's network of over 1,000 general practices and urgent care centres are mostly private businesses, yet because of the way the government's funding arrangements for general practice works, all cost pressures have to be funded from either the government's annual increase in patient funding paid to practices[1] or, increases in patient co-payments[2] – and both of those are fixed or capped by the government in a process that is neither negotiable nor disputable by the businesses themselves. The latest increase awarded by the government for these services was a staggeringly dangerous 2.78% despite total cost pressures now, including the latest CPI figures, running at an average of between 14% and 17%[3].

"That means that our family doctors and their nurses, who have been the country's front-line in the fight against COVID and who also provide essential life-saving population health services, may no longer be able to continue to provide some of those services to our most vulnerable populations".

Family doctor services are already facing a recruitment and retention crisis in the face of significantly higher paid, yet equivalent, jobs in the government's own District Health Board (DHB) workplace. That's on top of the well-documented overseas brain drain starting again with the world's borders reopening.

"The family doctor nursing workforce is already feeling undervalued and underfunded by the government which is proposing pay rises[4] for its own DHB employed nurses of between 19% and 21% - that will leave most family doctor-based nurses underpaid by around 27% when compared to their DHB employed nursing colleagues, for the same level of work", said Dr Malloy.

The essential family doctor services which are most at risk and could potentially start disappearing, without appropriate additional government funding, include:

- Free doctor's visits for under 14-year-olds
- Low-cost doctor's visits for community services cardholders – often some of the most vulnerable individuals in our communities
- Childhood immunisations
- Cervical screening
- Flu vaccinations (and future COVID vaccinations/boosters)
- Long-term-condition management and chronic disease management (such as diabetes).

The pressure on many family doctor operators has already become too much. A worrying trend which Dr Malloy says, "Is now resulting in essential doctors and nurses retiring, walking away or selling their practices every week – in all my years as a GP, I have never seen this constant stream of departures".

GenPro's warning is set in the context of the most recent government funding increase for family doctors of 2.78%, whilst those same businesses have no other key income sources with which to maintain services in the face of cost pressures which currently include (or will include):

- The latest CPI inflation pressures of 6.9%
- Nursing pay equity claim of between 22% and 27% to meet the government's proposed settlement for equivalent DHB nurses (separate to the 2022 annual pay award which will be informed by the latest CPI figures)
- An extra 5 days of sick leave as legislated by the government
- An extra statutory holiday for Matariki as legislated by the government
- An extra 1.39% tax on workforce costs to cover the proposed Income Insurance Scheme being legislated by the government
- The latest 3.7% rise in premises rental costs as announced by StatsNZ

Despite the impact of the underfunding and the significant cost pressures already being seen across the sector, Dr Malloy believes there is a solution, "Next month's Budget is an opportunity for the government to ensure the sustainability of essential family doctor services for all communities and avoid what is becoming a health sector crisis and the otherwise inevitable impact upon this country's health outcomes and life expectancy".

ENDs

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Notes for Editors:

1. The government's patient-level funding paid to general practices mainly includes "Capitation funding" which is based upon patient numbers enrolled with each general practice and weighted according to their age and gender.

   The government's non-negotiable annual increase in Capitation funding is informed by a process and methodology called the Annual Statement of Reasonable Fee Increases (ASRFI) which includes a lag of between 6 and 18 months during which general practices have to carry the cost of any increases. That methodology has been agreed as being flawed (November 2021) by the Ministry of Health, District Health Boards and General Practice Contracted Providers.

   Further information regarding ASRFI is contained here: https://genpro.org.nz/docs/asfri19-may-2021.pdf

2. Patient co-payments are predominantly set by the government and include zero co-payment for children under 14-years-old, capped co-payments (currently $19.50) for community services card holders, and all other co-payments capped to an increase [currently] in line with the Capitation funding increase – the current level of which is 2.78%

3. GenPro's overall cost pressure calculations of between 14% and 17% currently exclude the significant workload and cost impact being caused by:
   - Consultation increases as a result of the introduction of free consultations for under 14-year-olds and low-cost consultations for Community Service Card holders

- The unplanned “creep” of work from hospital-based services and clinicians which are increasingly asking the family doctor service to undertake elements of care and clinical follow-up traditionally undertaken and funded in secondary care (hospital-based care)
- The increasing level of clinical referrals being declined by secondary care specialist services (including, anecdotally, for the management of hospital waiting lists) which increases the associated demand upon family doctor services.

4. The proposed pay rise for DHB employed nurses relates to a Pay Equity Claim and, if ultimately approved by the nurses’ vote, will take effect from 7 March 2022 with additional lump-sum payments to acknowledge the implementation date of 31 December 2019. A further increase can also be expected in respect of the routine 2022 MECA (Multi Employer Collective Agreement) bargaining round – which will be strongly influenced by the latest CPI figures. Further information on the MECA and DHB pay equity claim is available on the NZNO website here: https://www.nzno.org.nz/dhbpayequity

5. GenPro’s 13 April 2022 high-priority letter to the Minister of Health on the subject of the serious consequences for primary care and population health as a result of the proposed DHB nursing pay equity settlement can be read here: www.genpro.org.nz/docs/ministerdhbnurses13-apr-2022.pdf. As of 21 April 2022 a reply is still awaited.