

# Aide-Mémoire

**Health New Zealand**  
Te Whatu Ora

## Implementation Update: Enhanced Capitation

<b>Due to MO:</b>	3 April 2025	<b>Reference</b>	HNZ00084571
<b>To:</b>	Hon Simeon Brown, Minister of Health		
<b>From:</b>	Martin Hefford, Director, Living Well		
<b>Copy to:</b>	n/a		
<b>Security level:</b>	In Confidence	<b>Priority</b>	Routine
<b>Consulted</b>	n/a		

Contact for further discussion (if required)			
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Attachments	
<b>Appendix 1:</b>	S9(2)(g)(i)

## Purpose

1. Per your recent Letter of Expectations, this aide-memoire provides you with an update on progress to deliver enhanced capitation payments of \$95 million per year for general practices that meet specified criteria.

## Summary

2. You announced the first year (\$95 million) of a proposed three-year package to improve the performance of general practice on 3 March 2025.
3. Health New Zealand | Te Whatu Ora (Health NZ) has started to develop the access criteria that practices must meet to access enhanced capitation funding. The draft access criteria include standards for acute access, digital access, routine access, extended hours and information.
4. S9(2)(g)(i)
5. In addition to access criteria, practices will have a range of outcome measures and related targets for additional performance payments. The measures and targets (which are being developed with sector leaders for inclusion in contracts from 1 July) are likely to include S9(2)(j)
6. We are identifying the system changes and processes necessary to support enhanced capitation. In addition, our work to inform a 're-weighting' of the formula used to inform the core capitation calculation is nearly complete. We will be providing you with further advice on the capitation re-weighting and its impacts in the coming weeks.
7. We are already engaging with key stakeholders on implementing enhanced capitation as Health NZ does not have the ability to unilaterally impose changes to the PHO services agreement (PHOSA), and the agreement requires near unanimity to enable a change. We consider that the preferred way to enable enhanced capitation is via a voluntary variation of the PHOSA, which will require sector engagement and negotiation.

## Background

8. You recently announced a range of measures to improve the performance of general practice as part of the Primary Care Tactical Action Plan. Announcements included Health NZ advice (HNZ00079149 refers) on a proposed funding package to improve the performance of general practice through the provision of:
  - a) an enhanced capitation payment for practices that meet new access to care performance standards,
  - b) an outcomes payment based on performance against key quality targets, and
  - c) activity based funding to support health targets by delivering more specialist interventions in primary care setting.

9. The proposed funding package from that briefing is set out below:

S9(2)(f)(iv)

Cumulative spend	Budget 25
Component	\$m
Enhanced capitation to improve access	\$60
Funding for quality outcomes	\$30
Planned Care Targets	\$5
<b>Total</b>	<b>\$95</b>
<i>Additional annual investment</i>	<i>\$95</i>

10. You announced the first year (\$95 million) of the proposed package on 3 March 2025,  
S9(2)(f)(iv)

11. Our focus since the announcement has been engaging with sector leaders on the funding package and developing an expedited design and implementation process that takes into account other parallel developments in primary health care funding and contracting.

## Progress update

### We have started developing the access criteria that practices must meet to access enhanced capitation funding

12. The proposal is that practices would qualify for the \$60 million enhanced capitation funding as a premium payment on top of their core capitation funding.

13. The specific access criteria are under development with GP leaders but are expected to include:

S9(2)(f)(iv)

14. These criteria are receiving generally positive feedback from the sector working group. We would welcome your input on the draft criteria.

15. S9(2)(g)(i)

16. To support the application of the access criteria, we are exploring how an assessment process for practice eligibility and ongoing audits can be enabled.

**In addition to access criteria, practices will have a range of outcome measures and related targets for additional performance payments**

17. Under this proposal, practices would qualify for an additional \$30 million funding for improving quality outcomes.
18. Potential outcome measures and related targets for practices that receive enhanced capitation are outlined below.

S9(2)(g)(i)

19. The measures and targets are being developed with sector leaders for inclusion in contracts from 1 July.
20. There are links between the proposed performance target framework and the existing PHO System Level Measure (SLM) programme. The key difference is that while the SLM programme focuses on measures that we can hold PHOs to account for and that require collective general practice as well as system-level interventions, the outcome measures related to enhanced capitation will be focused on individual practice-level performance.

**Health NZ is starting to identify the systems needed to support the delivery of enhanced capitation**

21. To be able to track practices' progress against both the access criteria and performance targets, Health NZ will need to develop or amend several data solutions including:
- a) updates to the funding payment system that enable the introduction of the revised weights to capitation.
  - b) developing a detailed data reporting specification for providers to receive transactional-level information.
  - c) Developing a Health NZ primary care data repository to receive and store data appropriately.

- d) updates to privacy impact assessments to support new data sharing arrangements.
  - e) changes to provider vendor systems and Health NZ payment and enrolment systems to manage new claims and funding flows.
  - f) developing new schedules to include in the PHO agreement.
22. The cost of these developments can be met by phasing the payment for outcomes (which is likely to be less than 100% in year 1 as it will take time for practices to put in place measures to qualify for the increased funding).

## Discussion

S9(2)(f)(iv)

23. Health NZ has allocated \$95 million in S9(2)(f)(iv) which was included in the recent primary care announcements.
24. The intention is that enhanced capitation is available to practices that meet certain criteria. S9(2)(f)(iv)

25. S9(2)(f)(iv)

26. S9(2)(f)(iv)

## Linkage to planned capitation re-weighting

27. Enhanced capitation will be implemented as an extra payment on top of the existing capitation payment.
28. Work to inform a 're-weighting' of the formula used to inform the capitation calculation has been undertaken with support from a sector-led Technical Advisory Group.
29. The work identified that, in addition to the existing age and sex variables (which were introduced in 2002), deprivation, multimorbidity (measured using a pharmaceutical index), rurality, and ethnicity are all statistically significant predictors of primary care activity and costs. S9(2)(f)(iv)

31. We will be providing you with further advice on the capitation re-weighting and its

impacts in April.

### **Implementation of enhanced capitation requires sector engagement and negotiation**

32. Health NZ does not have the ability to unilaterally impose changes to the PHOSA, and the agreement requires near unanimity to enable a change. We consider that the preferred way to enable enhanced capitation is via a voluntary variation of the PHOSA, which will require sector engagement and negotiation.
33. As such, we have started engagement with the sector (through the Technical Advisory Group, which supported the capitation re-weighting and by establishing a PHO Services Agreement Amendment Protocol working group) to consider contractual provisions for the inclusion of enhanced capitation in the PHOSA.
34. As key stakeholders, the General Practice Leaders Forum has been briefed, and the members wish to be involved in developing the enhanced capitation business rules.
35. Through the engagement process, we are identifying points of tension likely to arise, along with possible resolution arrangements. An initial list of points of tension (plus mitigations/resolutions) is included in Appendix 1.
36. S9(2)(f)(iv)

### **Next steps**

37. We will update you on our approach to capitation reweighting in the coming weeks.
38. We will continue to work with the various sector groups to progress the key enablers of enhanced capitation and will keep you updated via the Weekly Report and briefings as required.
39. We will provide further advice on our planned approach to implementing the planned care targets in the coming weeks.

S9(2)(g)(i)

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