

## 2025/26 contract uplifts for the primary and community sector

<b>Due to MO:</b>	22 May 2025	<b>Reference</b>	HNZ00083659
<b>To:</b>	Hon Simeon Brown, Minister of Health		
<b>From:</b>	Jason Power, National Director, Planning, Funding and Outcomes		
<b>Security level:</b>	In Confidence	<b>Priority</b>	Urgent
<b>Consulted:</b>	Health Assurance Unit		

Action sought	Action required by
Agree to parameters for the 2025/26 funded sector uplifts	26 May 2024

Contact for further discussion (if required)			
Name	Position	Phone	1st contact
Jason Power	National Director, Planning, Funding and Outcomes	S9(2)(a)	x

Attachments
<b>Appendix 1:</b> Separate spreadsheet detailing funded sector uplift options

## Purpose

1. To seek decisions on the funding uplifts to the funded sector for 2025/26 and funding sources.

## Summary

2. As set out in your Health Delivery Plan, Health NZ will introduce a new performance-based funding stream for core general practice (GP) services from 1 July 2025.
3. Health NZ must also implement the annual capitation funding uplift for primary care (with implications for co-payment increases) and determine the level of funding to be provided to the remainder of the funded sector, in time for 1 July 2025.
4. There are choices about the extent to which performance-based funding is included in the 2025/26 capitation uplift for primary care and the level of funding to be allocated to the funded sector.
5. This paper seeks your confirmation of the components of performance-based funding and provides you with scenarios for 2025/26 primary care capitation uplift and other funded sector uplifts.
6. Decisions are needed on preferred funding approaches to inform Health NZ's contractual negotiations with sector representatives.

## Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

### Performance-based funding for core GP services

- |   |               |
|---|---------------|
| a) <b>Note</b> that Health NZ will allocate \$95 million in 2025/26 to the introduction of performance-based funding for core GP services, to be funded from the uplift to the <i>Delivering primary, community, public and population health services</i> appropriation committed to Health NZ in Budget 2024.   |               |
| <hr/>   |               |
| b) <b>Agree</b> that for 2025/26 the components of performance-based funding for core GP services will be:  | <b>Yes/No</b> |
| <ul style="list-style-type: none"><li>• \$60 million for improved access, including for the provision of data to support both implementation of a new primary-care focussed health target;</li><li>• \$30 million for outcomes linked to improvement of immunisation rates and contribution to other health target delivery; and</li><li>• \$5 million to support delivery of minor gynaecological procedures and community-based oncology infusions in community settings.</li></ul> |               |
| <hr/>   |               |
| c) <b>Agree</b> to utilise the \$30 million of outcomes-based funding from recommendation b to implement a payment to GP providers who achieve a 10% increase in 2025/26 childhood immunisation rates (from their baseline performance as at 30 June 2025) or who meet the childhood immunisations health target of 95%, with partial payment for partial improvement.  | <b>Yes/No</b> |

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- d) **Note** that Health NZ anticipates, based on past performance, that GP providers will on average achieve less than full performance in relation to recommendation c, with a likely total cost of \$15 million in 2025/26.
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e) S9(2)(f)(iv)

Yes/No

- 
- f) **Agree** that Health NZ can begin PHO Services Agreement negotiations with a view to introducing performance-based funding for core GP services from 1 July 2025.
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Yes/No

- g) **Note** that, subject to your agreement, negotiations on performance-based funding for core GP services will commence on Wednesday 28 May 2025.
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#### Capitation uplift for 2025/26 and flexible funding

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- h) **Note** that there are three funding streams that will inform the calculation of the annual uplift in capitation and acceptable co-payment increases: the possible inclusion of some of the performance-based funding set out in recommendation b, Community Services Card (CSC) holder co-payments and Very Low Cost Access (VLCA) practice funding.
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- i) **Indicate** your preferred 2025/26 capitation uplift scenario (financial impact outlined in Table 2):

Yes/No

- S9(2)(f)(iv)

OR

Yes/No

- S9(2)(f)(iv)

OR

Yes/No

- Scenario 3: 6.43% uplift applied as per scenario 2, and apply ~\$30m of performance-based funding to the uplift for co-payment calculation purposes, with agreement during the negotiation process that practices can increase co-payments by 3% resulting in an increase in the CSC rate by 50 cents to \$20; and increase in the VLCA non-CSC rate of \$1 to \$30.50, and an increase in the average adult non-VLCA, non CSC rate by \$1.84 to \$63.20.
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- j) **Note** that if you decide not to include performance-based pay in the annual adjustment calculations, it will be important to Health NZ that the CSC and VLCA co-payment rates are permitted to increase, to avoid an unbudgeted adverse impact of \$25 million to Health NZ financial position.
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- k) **Agree** that Health NZ can begin PHO Services Agreement negotiations on your preferred capitation uplift scenario, to take effect from 1 July 2025.
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Yes/No

- l) **Note** that, subject to your agreement, negotiations on performance-based funding for core GP services will commence on Wednesday 28 May 2025.
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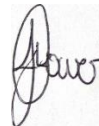
**Other funded sector uplifts**

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- m) **Note** that four 2025/26 funded sector uplift scenarios have been developed for your consideration.
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- n) **Refer** to the accompanying spreadsheet for details of funded sector uplift scenarios.
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S9(2)(f)(iv)

- p) **Note** that within 24 hours of your agreement of the funded sector uplifts, Health NZ will notify sector representatives.
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**Hon Simeon Brown, Minister of Health**

Date:

**Jason Power**

**National Director, Planning, Funding and Outcomes**

**Health New Zealand | Te Whatu Ora**

Date:

## Background

1. Since February 2025 you have had a series of briefings and discussions with Health NZ regarding:
  - a) The introduction of performance-based funding (previously referred to as enhanced capitation) for core GP services;
  - b) The 2025/26 capitation uplift for primary care and co-payment increases; and
  - c) 2025/26 uplifts to the remainder of the funded sector.
2. This briefing summarises the implementation options relating to these funding streams and seeks final decisions to inform contract negotiations and implementation.

## Performance-based funding for core GP services

### 2025/26 performance-based funding allocations

3. Your Health Delivery Plan includes a commitment to enhance the way we fund and contract for core GP services to drive a focus on access and outcomes. Health NZ has committed \$95 million in 2025/26 to this initiative. It is to be funded from the \$1.370 billion uplift for 2025/26 Health NZ was allocated in Budget 2024, specifically the *Delivering primary, community, public and population health services* appropriation.
4. For 2025/26, the proposed components of performance-based funding for GPs are:
  - a) \$60 million allocated to performance-based payments for practices that contribute to improved access including the new primary care target. The payment will initially be tied to the provision of data to support implementation of the target, with the focus progressively shifting towards improved performance;
  - b) \$30 million allocated to outcomes-based payments linked to improvement of immunisation rates at 3 months and at 24 months, as well as contribution to other health target delivery. Where they are supporting health target delivery, this funding will enable retention of Comprehensive Primary and Community Teams; and
  - c) \$5 million to support delivery of the elective treatment target, by supporting a shift of specialist interventions into primary and community care settings. This will begin with a focus on minor gynaecological procedures and community-based oncology infusions.
5. There is a choice regarding whether some or all of the \$60 million is included in the primary care capitation uplift calculation. This is discussed in the next section.
6. It is intended that performance-based funding for GPs and access criteria will progressively increase over a three-year period. The initial focus is on financial sustainability, but gradually the focus will shift to performance and access to care. We will monitor implementation of year one and provide you with advice on the proposed approach to 2026/27 by December 2025.

### *Performance criteria for outcomes-based payments*

7. In relation to the \$30 million of outcomes-based payments, it is proposed that the

outcome targeted in 25/26 is increasing childhood immunisation rates. The proposal is to pay GP providers based on them increasing their current coverage rate by 10% from baseline performance as at 30 June 2025 (or up to the 95% of children fully immunised at 24 months of age target), with partial payment for partial improvement.

8. A quality payment calibrated to a 10% improvement is estimated to cost \$15 million of the \$30 million available in 2025/26, S9(2)(f)(iv)

During 25/26 we would complete the work to transition Comprehensive Primary and Community Teams arrangements to a longer-term outcomes-based arrangement, funded from future performance-based payments.

9. This approach does carry a fiscal risk in that if providers improved their immunisation rates at a rate not previously experienced, then we would be obligated to make the contract quality payments. In our view this risk is low. Health NZ will regularly monitor performance improvement by GP providers and provide early warning if this risk is likely to materialise.

### **Implementation of performance-based funding**

10. Our intention is to negotiate the inclusion of performance-based funding into the PHO Services Agreement in time for a 1 July 2025 implementation.
11. Health NZ does not have the ability to unilaterally impose changes to the PHO Services Agreement 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 PHO Services Agreement, which will require sector engagement and negotiation.
12. We are seeking your agreement to begin negotiations with the PHO Services Agreement Amendment Protocol (PSAAP) group regarding the introduction of performance-based funding.
13. S9(2)(f)(iv)

## **Capitation uplift for 2025/26 and flexible funding**

### **Co-payments and the annual uplift process**

14. The Annual Statement of Reasonable Fee Increases (ASRFI) is the contractually agreed process to quantify the annual cost pressures faced by general practice to



inform the annual uplift in capitation and the accepted increase in fees (i.e., patient co-payments).

15. The ASRFI has a prescribed and agreed methodology from which there is little room to deviate. Results are independently calculated using Statistics New Zealand indices for the year to 31 December to determine the increase to apply from 1 July the next year.
16. Under the ASRFI, if the annual uplift to capitation is less than the independent cost calculation, then the allowable fees increase can cover the gap (i.e. practices can further increase patient co-payments).
17. For example, in 2024/25 the independent cost calculation was 5.88% and the capitation increase was 4%. For GPs with a 50/50 revenue mix of subsidy/co-payments, this allowed for a 7.76% increase in patient fees, giving an average increase in revenue of 5.88%. If Health NZ had increased capitation by 5.88%, then fees would have been allowed to increase by only 5.88%.

### **Inclusion of performance-based funding in the 2025/26 uplift**

18. You announced on 3 March that the introduction of performance-based funding for GPs would be in addition to the annual uplift. However, some or all of the \$60 million for improved access could still be counted for the purposes of the annual co-payment allowable fees increase calculation. The choice impacts on the level of co-payment increases and the amount of additional revenue GP clinics receive. Those choices are:
  - a) \$60 million of performance-based funding aimed at improved access to be additional to the annual uplift calculation.
  - b) \$60 million of performance-based funding aimed at improved access to be included in the annual uplift calculation.
  - c) \$30 million of performance-based funding aimed at improved access to be included in the annual uplift calculation, with the remaining \$30 million to be reserved for actions to improve data capture and sharing.
19. In addition, there is a need to consider two other funding streams which impact on co-payments:
  - a) Options for increasing the co-payments for Community Services Card (CSC) holders.
  - b) Options for increasing the co-payment for non-CSC holders in Very Low Cost Access (VLCA) practices.

### **CSC holder co-payments**

20. Most practices in New Zealand are part of the CSC funding scheme for which they receive additional funding to ensure people pay a lower co-payment.
21. The maximum co-payment for an adult CSC holder is currently set at \$19.50 (GST incl). This amount has not been increased since 2021. Health NZ considers that it is timely to consider an inflation adjustment to maintain the real value of the co-payment for CSC holders. Not increasing the maximum CSC co-payment has significant unbudgeted cost implications of \$25 million for Health NZ because capitation would need to increase by a higher amount.

22. Applying an inflation adjustment for the period since then would increase the maximum co-payment to approximately \$25.50 (GST incl). An adjustment for the most recent 12 months cost pressures would increase the co-payment amount to approximately \$20.75 (rounded to \$21.00). A 3%<sup>1</sup> increase (recognising now prevailing inflation rates) would increase the co-payment amount by 50 cents to \$20.00.
23. Historical changes to co-payments for CSC holders are set out in Table 1 for your reference.

Table 1: Historical changes to co-payments for CSC holders

Maximum Co-Payments	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Under 6s/13s/14s	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6/13/14-17 Year-Olds	\$ 12.00	\$ 12.00	\$ 12.50	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00
18+	\$ 18.00	\$ 18.00	\$ 18.50	\$ 19.00	\$ 19.50	\$ 19.50	\$ 19.50	\$ 19.50	\$ 19.50	\$ 19.50
VLCA non-csc 18+								\$ 19.50	\$ 29.50	\$ 29.50

## VLCA practices

24. Some practices receive additional funding in return for keeping their fees lower than the usual amounts even for patients that are not CSC holders.
25. The current maximum co-payment for adult VLCA practice patients for those without a CSC is \$29.50 (CSC holders continue to have a maximum co-payment of \$19.50 as above).
26. This was uplifted from \$19.50 from 1 July 2024 to recognise that there are no restrictions on who can register with a VLCA practice and to begin to align the VLCA co-payment rates for non-CSC adults with non-VLCA practices co-payment rates. In comparison, for non-VLCA practices average co-payment for non-CSC adults is ~\$61.36.
27. Several options are available for the increase for VLCA non-CSC patients: nil, up 3% to \$30.50; to \$31.50 (6.4% increase); by \$10 per visit to \$39.50 (a 33% increase). While the 33% increase would see the fee remain significantly lower than the average co-payment for adult non-CSC holders, we recommend at minimum either a 3<sup>2</sup>% increase or a 6.4% to maintain current relativities and limit the impact on patients.
28. We recommend applying the same uplift rationale across CSC and VLCA co-payment increases (e.g.,3%).

## 2025/26 funding uplift scenarios

29. The choices relating to the various funding streams and the implications for co-

<sup>1</sup> Note that this percentage increase could be anywhere in the range of 2-4%. A lower percentage minimises the funding provided to GP providers, but also limits allowable co-payment increases to patients. Health NZ is able to provide alternative scenarios.

<sup>2</sup> As with CSC co-payment increases note that this percentage increase could be anywhere in the range of 2-4%. A lower percentage minimises the funding provided to GP providers, but also limits allowable co-payment increases to patients. Health NZ is able to provide alternative scenarios.



payments are shown in Table 2 below.<sup>3</sup>

30. Three scenarios have been modelled, all of which assume a 6.43% percent annual uplift applied to first contact funding and zero increase to flexible funding pools other than the rural health funding pool.

S9(2)(f)(iv)

- c) Scenario 3 includes: 6.43% uplift applied as per scenario 2, and applies \$30 million of performance-based funding to the uplift for co-payment calculation purposes, with agreement during the negotiation process that practices can increase co-payments by 3% resulting in an increase in the CSC rate by 50 cents to \$20.00; and increase in the VLCA non-CSC rate of \$1 to \$30.50, and an increase in the average adult non-VLCA, non CSC rate by \$1.84 to \$63.20.
31. While the specific amounts are set out in Table 2, in terms of impacts the key outcomes are that:
- a) Scenario 1 would result in the largest increase in co-payments and the largest revenue increase for general practices overall.
- b) Scenario 2 would see the largest revenue increase for general practices despite no increase in patient co-payments (however this increase would need to be funded exclusively by Health NZ).
- c) Scenario 3 would provide a balance between increased revenue for providers to improve sustainability and holding fees relatively steady for patients.
32. If you decide not to include performance-based pay in the annual adjustment calculations, it will be important to Health NZ that the CSC and VLCA co-payment rates are permitted to increase, to avoid an unbudgeted adverse impact of \$25 million to Health NZ financial position.

Table 2: Annual uplift and co-payment increase scenarios

	Baseline	S9(2)(f)(iv)	S9(2)(f)(iv)	Scenario 3: limit co-payment increases
Option parameters		S9(2)(f)(iv)		6.43% uplift to GP funding

<sup>3</sup> Note that under all scenarios, nursing pay parity paid to GP providers has been brought into core capitation funding.

	Baseline
First contact GP funding increase	\$918m
Co-pay buy outs (VLCA, CSC, under 14)	\$341m
Other (Flexi, MF, Rural)	\$272m
<b>Total uplift for co-pay calculations</b>	
GP co-pay revenue increase	\$494m
Performance-based funding	
<b>Total additional GP revenue</b>	
% revenue increase	
<b>Total cost to Health NZ</b>	
<b>Co-pay increases (inc. GST)</b>	
18+ non-VLCA, non-CSC (average)	\$61.36
18+ VLCA non-CSC (max.)	\$29.50
18+ CSC (max.)	\$19.50

### Scenario 3: limit co-payment increases

Performance-based funding partly applied (\$30m) to uplift funding, and co-payments increase by 3%

\$78.0m

\$33.0m

\$0.0m

**\$125.9m**

\$14.8m

\$30m

**\$155.9m**

**8.89%**

**\$141.0m**

\$1.84

\$1.00

\$0.50

33. A decision on your preferred scenario is requested to inform our approach to sector negotiations and to enable performance-based funding to begin from 1 July.
34. Hybrid arrangements are also possible, and we anticipate some minor changes would

occur to these scenarios through negotiation with the sector. We will keep you informed of progress with negotiations and request approval in advance for any deviation from the agreed parameters.

### Other funded sector uplifts for 2025/26

35. In setting internal budgets for 2025/26, S9(2)(f)(iv) has been allocated by Health NZ for uplifts to the funded sector. This includes for primary care as discussed in the section above.
36. Taking account of the proposal to provide a 6.43% uplift to primary care, Table 3 sets out two options for uplifts across other funded sector services.

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### Increasing available funding for funded sector uplifts

37. For 2025/26 it is intended that \$30 million of Primary Options for Acute Care (POAC) services in primary care are purchased through the *Delivering Hospital and Specialist Services* appropriation, rather than from the *Delivering primary, community, public and population health services* appropriation. POAC services have the benefit of increasing the amount of care that happens in the community, for avoided acute services referrals.
38. On this basis, there would be additional funding available in the *Delivering primary, community, public and population health services* appropriation, that could be applied to funded sector uplifts. Options for how an increased total funding amount could be applied across funded sector services is shown in Table 4 below.
39. Uplift options for funded sector services are set out in an accompanying spreadsheet to assist with your selection of a preferred approach.
40. Health NZ officials are available to discuss these options with you.

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## Next steps

### *Primary care*

41. Following your consideration of this briefing and selection of preferred funding parameters, Health NZ will begin PHO Services Agreement amendment negotiations relating to the introduction of performance-based funding for core GP services and the annual capitation funding uplift.
42. Subject to your agreement, negotiations will begin on Wednesday 28 May.
43. We will provide an update on progress with negotiations and the allocation of the performance-based funding by 30 June.

### *Other funded sector uplifts*

44. Uplift decisions impact on approximately 16,000 funded sector agreements and with less than 6 weeks to 1 July implementation must begin in the week beginning Monday 26 May.
45. Within 24 hours of your agreement of the funded sector uplifts, Health NZ will commence its normal notification process to sector representatives. This will be by either:
  - Notification of the intention to commence negotiations (e.g., aged care, pharmacy and dental); or
  - Letters sent to providers notifying them of the uplift for 2025/26.



**From:** [Jason Power](#)  
**To:** [Saphron Powell \(EXT Parliament\)](#)  
**Subject:** FW: NAAR-25 Meeting 2 CONFIRMED  
**Date:** Thursday, 5 June 2025 7:25:00 pm  
**Attachments:** [20250306\\_Annual Uplift 2025.pdf](#)

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Hi

Information attached as discussed

Jason

## Annual Uplift 2025/26: Proposal

Type of Paper:	CONSULTATION & DECISION
Author(s):	Martin Hefford, Director Living Well Astuti Balram, GM Primary Care
Date:	3 June 2025

### 1. Recommendations

It is recommended the National Annual Agreement Review (NAAR):

- Note** the proposed uplift to Pharmacy Service Fees of 3% (\$21.9m) from 1 July 2025.  
S9(2)(f)(iv)

### 2. Purpose

This paper advises the NAAR of the proposed uplift to ICPSA fees for 2025/26 and additional areas of variation to the contract.

### 3. Community Pharmacy Context

Health NZ recognises that community pharmacy is critical for both better health outcomes and better system performance.

Community pharmacies in New Zealand are vital for providing accessible healthcare services. They serve as the first point of contact for medical advice and treatment, offering a convenient alternative to visiting a doctor.

In addition to providing medications and ensuring their safe and effective use, community pharmacies are involved in preventative health care and public health initiatives. They provide vaccinations, health screenings, and smoking cessation programs, which are essential for maintaining public health and preventing disease spread. These services help reduce healthcare costs and improve health outcomes.

A strong and robust community pharmacy workforce is vital for delivery of sufficient services to meet demand. To support this, Health NZ has invested in:

- Training for Community Pharmacy Accuracy Checking Technicians
- Training Provision - Clozapine Dispensing, Community Pharmacy Anticoagulation Management, Supply of Covid-19 Oral antivirals
- Training Provision - Support for pharmacist vaccinators upskilling to authorised vaccinators

#### 4. Funding

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We understand that sustainable funding is also important.

As you may be aware, Health NZ is moving towards a sustainable future for New Zealand healthcare, including ensuring we can live within our budget. We acknowledge cost pressures facing providers and growing demand on their services. Health NZ is operating in the same financial environment and is working hard to target available funding to where it is most needed.

Health NZ has received an increase in the primary and community services appropriation of \$507 million for 2025/26. This increase of around 5% is to cover increases in volumes of services, prices and mix.

Health NZ is aware of the cost pressures for primary and community health providers. Overall, the CPI increased 2.5% in the year to March 2025. The LCI increased 2.9% in the 12 months to March 2025.

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S9(2)(f)(iv)

Proactively Released

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Proactively Released