

AUCKLAND DISTRICT HEALTH BOARD

**Minutes of the meeting of the Board held on Thursday 8 May 2003
in the Marie Hosking Room, Level 7, Building 14, Greenlane Clinical Centre, Auckland
commencing at 1:15pm.**

In the absence of Wayne Brown Margaret Horsburgh Chaired the meeting. The Chair declared the meeting open at 1:15pm.

1. ATTENDANCE AND APOLOGIES

Board Members

Margaret Horsburgh (Chair)
Crystal Beavis
Susan Devoy
Di Nash
John Retimana
Vicki Salmon
Ian Scott
Pat Snedden

Management in Attendance

Graeme Edmond – Chief Executive
Marek Stepniak – Chief Operating Officer
Ian Ward - Chief Financial Officer/GM Shared Services
Nigel Murray – GM Building Programme
Steve Mayo-Smith – Chief Information Officer
Michael Boersen – GM Financial Services
Brenda Saunders - GM Communications and Community Consultation
Ian Bell - Board Administrator

Attending

Peter Smith (part)

Apologies

An apology had been received from Wayne Brown.

John Retimana welcomed the Director General of Health, Karen Poutasi.

2. DIRECTOR GENERAL OF HEALTH

Karen Poutasi congratulated the ADHB Public Health on their work on SARS.

Pat Snedden led the discussion on behalf of the Board on the issues outlined in the letter to Karen Poutasi dated the 15 April 2003.

IDF Pricing

Issues for the ADHB was that flexibility was not available with prices averaged nationally, which penalised Aucklanders if prices did not meet costs. An example was renal treatments, where ADHB were paid \$20k for costs of \$60k and the deficit restricted access to health services for Aucklanders by that amount. If the current prices, which had been agreed years ago, were reviewed would they impact on the three year funding already advised, i.e. if prices were up, would volumes decrease?

Karen Poutasi advised that Cabinet had agreed to a pricing schedule as most DHBs requested this. A working group of Treasury, MoH and DHBs would be looking at prices in 2004/2005.

ADHB was well represented on other inter-district groups but perhaps needed to be represented on the pricing group.

To overcome the averaging, it was important that ADHB was benchmarked against comparable hospitals within Australia rather than New Zealand. Case weighted discharges ranked higher was a measure of the differences of a tertiary hospital. She also advised that the three-year funding path was fixed. It was important that ADHB talked with their Auckland colleagues, as this was the main inter-district flow impact.

Population Adjuster

ADHB was experiencing a greater rate of growth than other parts of Auckland, including changes in the mix of population. This included education bringing more people into Auckland for part of the year and with DSS devolution, an over-representation of rest homes. It had been agreed at a regional basis that if 2001 data had been used rather than 1996 data, ADHB would have received a further \$8m and also there were data errors recognised in the region that had been verified and agreed which would provide a further \$9m to Auckland. ADHB recognised that every five years the formula would be right, but expected to have a disadvantaged position in the intervening years. There also seemed to be a perception that Auckland was over funded.

Karen Poutasi advised that information on ethnicity from the 2001 census was not available from Statistics NZ, although statistics for 2001 were used for most of the formula. Regional projections were used and it was expected that over the five year period there would be some overs and unders. If particular population groups such as students did impact this needed to be brought to the attention of the MoH.

Capital Pricing

The change to the site specific adjuster had a marked effect on ADHB due to the major building project with a lack of discussion on why the changes were made. The fee agreed for the Connolly unit showed the issue of undertakings being made and then changed and there needed to be a recognition of the burden that the building programme placed on the ADHB.

Karen Poutasi advised that there would be no capital adjuster and that the site specific adjuster only operated for one year. Ongoing work was being undertaken at present on balance sheets and capital charges separate from the pricing exercise and the working group was expected to have an outcome within three months. ADHB was represented on that group.

Vicki Salmon raised the concerns of the ADHB Audit Committee of trying to reach breakeven by 2005/2006 with ADHB, with a \$1 billion budget, being treated as the same as smaller DHBs. With change pressures due to migration the Board suggested looking at a five-year timeframe to breakeven.

Karen Poutasi congratulated the Board on the time and effort put into the DAP, and the current performance better than budget with the MoH being well aware of the effort being put into outer years planning. This planning should reduce uncertainty.

Neurosurgery

Karen Poutasi advised that tertiary services could not be commenced without Ministerial approval. Approval had been given to the Waikato Neurosurgical Unit and there was a vision of regional links between ADHB and Waikato that required good communication.

ADHB's concerns were that the sharing of infrastructure increased costs by \$1.5m as splitting the same volumes over two sites increased the fixed costs and had a real impact.

DSS Devolution

This was related to the population discussion as, after residency of three months, people are counted in the population and as stated earlier ADHB was over represented with rest homes. It was difficult to predict demand driven funding requirements with an ageing population and also the possible effects of income testing. It was also difficult to demonstrate capability without information.

Karen Poutasi advised that the decision in principal to devolve had been made and the issue was how to implement this. DSS would not be put into PBF with funding following contracts.

ADHB was managing the devolution on a regional basis and would be working closely with the MoH. In the PBF debate there would be some challenges in getting to a balance from the present funding with some boards under funded and others not going to get increases in the future.

Pat Snedden raised two further issues being the MECA negotiations and whether the MoH understood the implications for ADHB and that while forecasting small surpluses in the Funder Arm it was difficult to shield this from the deficit in the Provider Arm. Karen Poutasi responded that efforts to get hospital finances in order would assist in looking at forward investments and that the work and investment in PHOs and primary care was partially being funded directly that would meet some real needs.

Pat Snedden thanked Karen Poutasi for her attendance.

3. CLINICAL EDUCATION CENTRE

Richard Frith presented the concept to the Board, which was also supported by a recommendation from the Audit Committee. The Centre would contribute to positive clinical change. The aim was to raise the required funding of \$2.5m by the 1 July 2004. Clinical Education related not just to doctors but encompassed clinical education in the widest terms. Peter Smith advised that the School of Medicine supported the concept.

Moved Vicki Salmon, seconded Ian Scott

That the ADHB Board approves that:

- *The CEC be built at level five in the Auckland City Hospital Main Building*
- *Fundraising proceed, co-ordinated by the Auckland City Hospital Charitable Trust, to raise the appropriate sum*
- *The CEC will operate in a cash neutral basis to ADHB*
- *There is tenure of occupation*
- *A management committee will run the CEC, reporting to the Chief Medical Officer.*

Carried

4. CONFIRMATION OF MINUTES 3 APRIL 2003

Moved Margaret Horsburgh, seconded John Retimana.

That the minutes of the meeting of the Auckland District Health Board held on 3 April 2003 be confirmed as a true and correct record.

Carried

5. ACTION POINTS 3 APRIL 2003

The action points had been noted and addressed.

6. CHAIRMAN'S REPORT

The Chair of the meeting read the Chairman's Report in Wayne Brown's absence.

Reaction to the naming issue had been underestimated and management had been asked to undertake a consultation process and three clinical leaders had been invited to address the Board.

Margaret Wilsher, Clinical Leader, Green Lane, advised that Green Lane had an international reputation built on education, training and research which assisted in recruitment and retention of staff. Staff recognised the difficulties of the move to the Grafton site, but wished the name brand to be used in a special way.

David Knight, Clinical Leader, National Women's, advised that National Women's looked forward to the move to integrate with other services at Grafton. While recognising the Board's efforts to lead change, and they would become part of one hospital, the name provided a sense of belonging and an acknowledgement of history, both positive and negative that had contributed to its identity.

Scott Macfarlane, Clinical Leader, Starship, outlined the issues as Starship, hospital versus department, and the process. He also made the suggestion of Starship Children's Health.

The Chair thanked the Clinical Leaders for their contribution advising it was now a matter for the management to consultation with staff, clinicians and stakeholders to make a recommendation to the next Board meeting in June.

Crystal Beavis advised that, as the Board member who had sought a presentation from management on naming issues in June last year, she was pleased that the Board had now responded positively to public concerns and would now be receiving a presentation to the next Board meeting.

SARS

Marek Stepniak advised of the sequence of decision making relating to SARS. On the 14 April 2003, the Director of Critical Care advised on the installation of extractor fans at the DCM. On the 17 April 2003 it was agreed for the money to be spent and an order was placed for the construction of custom built extractor fans, which were advised to take 14 days. Within 15 days these had been tested and installed. Two external rooms were also being fitted out, with one completed and one to be completed within the next week. There were 11 negative pressure rooms at Greenlane as well as a negative pressure room at Starship.

Peter Smith left the meeting at 3pm.

SARS meetings were being held regularly. Statements on the Sunday TV programme were reprehensible and Marek Stepniak assured the Board that ADHB was well prepared for SARS. Margaret Wilsher advised that factual information was being provided to staff as SARS was a frightening disease with a high mortality rate and high incidents among health workers.

7. CHIEF EXECUTIVE

7.1 Report

Graeme Edmond spoke to his report noting the material unfavourable variance in employee costs with the level of control allowing slippage being very disappointing. The COO was implementing better control and there was intense pressure on employee numbers in the 2003/2004 plan. The year-end forecast had improved by \$3.6m from the previous month and the balance sheet provisions were being reviewed which could provide further improvement.

The revised Building Programme, which had been sent to Wellington in February, had gone to Ministers for sign off. Performance was now being measured against the revised scope. Vigilance was being exercised in the Change Programme to ensure benefits were not double counted as well as ensuring close co-operation between inter-dependant projects.

The appointment of a Regional Manager for Mental Health had been made and the 20 packages of care can now be put in place. The ADHB 4 packages had been instituted and are now operational. The DAP would be going forward to the MoH the following week with a covering letter explaining the \$10m deficit gap.

The Pharmac proposal, in consultation, was being monitored with concern expressed by the Guild that a number of pharmacies would be put out of business. ADHB's concern was that its

population had access to pharmaceuticals rather than support for individual businesses.

Areas where regional co-operation could be enhanced were being reviewed. The Graham Aitken report was in draft format and management would be responding in detail to the report. It was expected that the Graham Aitken report would be finalised within two weeks and it would be available to ADHB. Orthopaedic volumes were still an issue at a regional level, with Counties/Manukau doing acute and electives, ADHB doing acutes, and electives being undertaken by Waitemata. The change to the regional structure was originally scheduled for the 1 October 2003, but was then deferred to 1 July 2004. Waitemata advised they would not be ready and they had asked for further deferment to October 2004, which had been agreed to. It was now evident that this would have an operating impact on ADHB who are now seeking a return to the original date of 1 October 2003. There was regional capacity so the three DHBs were working to find a solution.

Concern was expressed in the delay in addressing IS security risks which had been identified two years ago in Audit reports. Steve Mayo-Smith advised that the key aspects of the issue were the likelihood of risk and the efforts required to mitigate those risks. It also was not just an IS issue but needed changes in practices and processes. Counties/Manukau and Waitemata had open systems with consequent management by monitoring breaches. He did not concur with this philosophy as the consequent management did not rectify the breach. Vicki Salmon advised that there needed to be a policy developed at ADHB, which would be championed at the regional level, based on a philosophy of putting in controls which then could be relaxed if appropriate. This matter was to be raised at the CEO and the Chairs meetings. The risks need to be understood as well as privacy issues and a briefing paper was requested for the Hospital Advisory Committee.

Occupational Health and Safety was enhancing reporting with trends. Back and shoulder injuries were not decreasing and ACC were initiating a programme on lifting to mitigate this problem.

7.2 District Annual Plan

Moved Margaret Horsburgh, seconded Susan Devoy

That the ADHB authorises the Chief Executive to submit the latest Draft District Annual Plan to the Ministry of Health subject to the Chair of the Audit Committee and Pat Snedden's approval.

Carried

7.3 ADHB Organisational Values

This was deferred to the next meeting. The previous agreed values had been arrived at through a process and the Board agreed that the draft values be raised at appropriate forums for reaction and feed back to the next meeting.

Disability Support Services Establishment Plan

This had been discussed at the DSAC and C&PHAC.

Moved Margaret Horsburgh, seconded Crystal Beavis

That the ADHB endorses the Capability Criteria that is detailed in the Establishment Plan Document for advancement of Integrated Continuums of Care for the devolution of funding for services for older people being developed by the three Auckland DHBs.

Carried

Items 9 to 11 were taken next.

9. BUILDING AND CHANGE COMMITTEE

There was no report.

10. QUALITY COMMITTEE

No meeting had been held.

11. AUDIT COMMITTEE

11.1 Report

Vicki Salmon advised that the Committee had deferred discussion on the Financial and Treasury reports to the Board meeting. Management had been asked to respond to the Standard and Poor's rating report. The Committee appreciated the quality of the Internal Audit reports.

11.2 Recombinant Based Blood Clotting Agents

Moved Vicki Salmon, seconded Margaret Horsburgh

That the ADHB endorses the selection of Novo Nordisk (Pty) Ltd, Bayer NZ Ltd, Baxter Healthcare Ltd and Wyeth New Zealand Ltd as the suppliers of choice to provide the Recombinant Blood Clotting Agents for a period of one year at an estimated annual value of the four contracts of \$3,296,501. And that the Chief Executive be authorised to sign the respective contracts on behalf of ADHB.

Carried

11.3 Consumables CAPD and ADP Dialysis

Moved Vicki Salmon, seconded Susan Devoy

That ADHB Board provide a level of funding up to \$400,000 on the terms and conditions as set out in the letter by the CFO to the Auckland Hospital Pre-School Society dated 15 April 2003 to support the development of crèche facilities at Grafton.

Carried

Item 8 was discussed next.

8. FINANCIAL REPORTS – MARCH 2003

8.3 Treasury Policy

Moved Vicki Salmon, seconded Pat Snedden

That the ADHB adopts the Treasury Policy dated April 2003.

Carried

8.1 Financial Report

Vicki Salmon led discussion on the financial reports advising that the Audit Committee had been updated on the Creame costs and difficulties. Case weights compared with costs in Medical services indicated that they were more unproductive. Graeme Edmond advised that the timing of reporting of case weights for the financial reports were only 80% coded with some re-coding from the previous month. It was better to compare costs with the case weights reported in the COO's report. In other employee costs were budgeted savings but savings achieved would appear in the employee costs. Other employee costs included superannuation, staff training etc.

The variance between the result to March and the forecast result in the Provider Arm was result of revenue being taken into account in the first nine months for which costs would be incurred in the last three months.

In response to a question on the Creame project, Nigel Murray advised that the project had been based on an average clinical record of 15 pages. What was being found was that standardisation was not good, old record pages were not labelled well and were more untidy than anticipated and chronic patient records, which were large, were being scanned first. This together with tidying up and amalgamating records was creating pressure on scanning, so that the anticipated FTE savings could not be realised this year. The project was being re-phased with benefits coming next year but the project would still be within the total budget. Issues were being addressed including retraining and getting some clinicians to interface with a computer. This is to be discussed at the Building and Change Committee.

There was some interchange of costs between Medical and Surgical indirect costs which netted out on consolidation. ACC revenue and donations were reported in other income.

The establishment of the multi agency centre in Children's Health was a joint project with CYPS, Police and Starship money for the fit out. Capital had been spent and would be recovered from the other parties.

Pat Snedden left the meeting at 4.25pm.

Items that had been excluded from the forecast were noted.

11 GENERAL BUSINESS

Graeme Edmond advised that the Minister of Immigration had extended the permit for the patient receiving dialysis however he may still not be eligible for treatment.

12 NEXT MEETING

The next meeting will be held on Thursday 5 June 2003.

The meeting closed at 4.38pm.

CONFIRMED

CHAIR

DATE