



AUCKLAND DISTRICT HEALTH BOARD

Minutes of the Auckland District Health Board meeting
held on Thursday 4 November 2004
in the Marion Davis Library, Building 43,
Auckland City Hospital, Grafton
Commencing at 1:30 pm

1. ATTENDANCE AND APOLOGIES

Board Members

Wayne Brown (Chair)
Margaret Horsburgh
Harry Burkhardt
Di Nash
John Retimana
Vicki Salmon

In Attendance

Jackie Blue
Virginia Hope

Management in Attendance

Garry Smith – Chief Executive Officer
Denis Jury – Chief Planning and Funding Officer
Michael Boersen - Chief Financial Officer
Nigel Murray – General Manager Auckland City Hospital
Andrew Norton – General Manager Human Resources
Margaret Wilsher – Acting Chief Medical Officer
Ian Bell - Board Administrator

Apologies

The Chair declared the meeting open at 1:54 pm.
Apologies had been received from Crystal Beavis, Ian Scott and Pat Snedden. The Chair acknowledged the attendance of Graham Aitken appointed as Board Advisor by the Minister.

2. CONFIRMATION OF MINUTES – 7 OCTOBER 2004

Moved Margaret Horsburgh, seconded John Retimana

That the minutes of the meeting of the Auckland District Health Board held on 7 October 2004 be confirmed as a true and correct record.

Carried

The Minister had written on the 9 September 2004 advising new services requiring additional funding including deficit funding must not be initiated without her approval. The Chair had responded to the Minister asking whether the policy applied nationally.

3. ACTION POINTS 7 OCTOBER 2004

The letter relating to the Starship Foundation Trust Deed was still being pursued. The Audit Committee had asked management to write to the Foundation for a response and management were to meet with Starship Foundation management.

The Deputy Chair was drafting a letter to DHBNZ.

4. CHAIRMAN - REPORT

Wayne Brown reported to the Board as follows:

- The question of the Linex open system versus Microsoft had been raised with the Chief Information Officer to look at moving to an open system rather than a US based licensed proprietary right system.
- He had met with officials from the Minister of Health and Minister of Finance offices and raised a number of issues.
- Population based funding had an impact on the costs of care of elderly beds and patients being referred but not funded. Auckland was perceived as over funded while the other Auckland DHBs received additional funding.
- The non use of NHI numbers by pharmacies dispensing was of concern.
- He had attended an entertaining debate sponsored by Merck Sharp & Dohme and his fee had been donated to the Clinical Education Centre.
- A letter of comfort had been received.
- Mr. Graham Aitken had been appointed as Board Advisor to ADHB by the Minister.
- A meeting will be held with the Minister on 16 November 2004 which would include justification of the plan for 2004/2005.
- A letter had been received from a patient resident in Waitemata who had been referred back to his local hospital. The letter advising of the transfer back needed to explain population based funding. There needed to be explanations to the public at the regional level of the affects of population based funding as well as education of referrers.

5. CHIEF EXECUTIVE OFFICER - REPORT

Finalization of the 2004/2005 DAP was a priority and the current version of Chapter One has been distributed to Members for their comment. The current deficit of \$66.5m had been discussed at the Audit Committee including risks of \$41m which had now escalated to \$47m. The Audit Committee considered that there was substantial risk without putting more pressure on management and recommended that the DAP be finalised on the basis of \$66.5m deficit subject to review by Graham Aitken. Consultants from the MoH had advised verbally that there may be difficulties achieving a \$66.5m deficit from what they saw as an underlying \$100m problem. Work would now be done on the three years forward forecasts.

Negotiation of IDFs for 2005/2006 had been difficult but agreement had been reached on a majority of points with the exception of the list of hospital services that would transfer back to Counties Manukau and Waitemata. ADHB had said that this would not be dealt through IDF negotiations but, as part of regional service planning. This work needed to be done by December to give six months notice of transfer as required under the rules. The impact of population based funding on community pharmacies had not been agreed in the region.

Mental Health and Older People services had originally been planned and managed regionally, however, Counties Manukau had been working on developing mental health resources while there was still unopened capacity in Te Whetu Tawera. This demonstrated how population based funding did not support regional or national services. A one page summary of the issue is to be prepared for Wayne Brown and Ross Keenan.

Pricing for 2005/2006 had been discussed including the cancer pricing by the MoH which would shift \$17m to Auckland. It was noted that this work was based on last year's costs but would not be implemented until next year which meant a two year price lag. This was put to a vote at DHBNZ and other DHBs suggested a compromise of only one-third of the increase in cancer prices and no 2% uplift. This was not acceptable to ADHB and should not have been voted on at DHBNZ but referred to the MoH.

Migration of National Women's had been very successful and thanks went to National Women's staff, the migration and Auckland City Hospital teams.

Other points noted were:

- The regional CEO's projects were gaining momentum.
- The new communication strategy began on 1 November 2004.

John Retimana left the meeting at 2:55 pm.

- The Auckland City Hospital structure had been finalised.
- The Chief Financial Officer's resignation had been accepted with regret.
- The Clinical Board Primary Care had had its first meeting.
- There was strong employment relations activity.

The DHBNZ Annual Plan 2004/2005 had been included in the Board papers and concern was expressed at the \$1.5m of projects being undertaken by a coordinating body. These had been assessed on the basis of payments received by DHBs yet voting was on the basis of a single vote. While work for the national mecas was useful it was seen as an extra structure with confusion of roles particularly relating to projects and voting on pricing which had been developed by the MoH.

Moved Di Nash, seconded Margaret Horsburgh

That Auckland District Health Board withdraw from DHBNZ.

Carried

6. FINANCIAL REPORT – SEPTEMBER 2004

The Audit Committee had recommended that the 2004/2005 DAP be submitted at \$66.5m deficit. The Chief Financial Officer advised that issues were volumes particularly in cardiac and orthopaedic, and revenue around IDFs if volumes were not delivered. While employee costs, including equivalent temporary staff and overtime which was included in the employee costs but not FTE numbers, were tracking to budget there was still savings to deliver before year end. The impact of the Holidays Act was estimated at \$4.2m with \$700k to \$800k accruing in the first quarter. The Health of Older People contract year to date was costing \$880k above that expected.

Direct treatment costs were starting to come back and savings in the Building programme were a matter of timing not a permanent saving. The CFO was still comfortable that the year end result could be obtained with considerable effort.

Concern had been expressed at the delays in having the HRMS business case and Pharmacy business case signed off. In the former case there had been a six month delay and the MoH had mislaid the business case. This needed to be approved as good will with the supplier was being eroded. The Pharmacy business case was needed to comply with changed legislation applying from 1 July 2005.

It was noted that a Pharmac rebate for last year of \$8m had not been returned to DHBs but was being applied to research projects. This sum had not been accrued at the 30 June 2004.

Medical staff costs included RMO compliance costs as well as OR and SSS and the CMO project was important for identifying savings.

The General Manager HR advised that administration still could be trimmed but there needed to be systems to allow good mapping of staff and costs.

7. DISABILITY SUPPORT ADVISORY COMMITTEE

There was a regional meeting the next day with the Disability Minister which would be attended by the Deputy Chair and a member of the DSAC Committee. The next ADHB DSAC meeting was on 16 December 2004. The purpose of the regional DSAC meetings was queried.

8. QUALITY COMMITTEE

The Committee had discussed the risk schedules with high level risk being reported to the MoH and other risks to the Quality Committee. There had been some discussion on what should be in the public arena which may include the high level risks provided to the MoH.

Corporate Counsel had presented to Clinical Directors on the question of professional indemnity as ADHB covered them through their employment. It was considered that a December meeting of the Quality Committee may not be needed.

9. AUDIT COMMITTEE

The Audit Committee had received a report from the Treasurer on equity and the gearing ratio which was triggering requests for equity deficit support to be received by 31 December of \$24m. A possible solution to overcome the effects of the gearing ratio could be the subordination of Crown Financing Agency debt and this had been raised with the appropriate Ministers.

An Audit Report on the Change Management Investment Review had been received however responses from management were yet to come. A subcommittee of Vicki Salmon, Pat Snedden and Wayne Brown had been established to overview this work. The retendering of Supply Chain Services for Consumables had been updated to the Committee including a clear audit report from Audit New Zealand on the process. The

Audit Committee had expressed concern at MedSafe reports and considered that inappropriate enrolment by PHOs, highlighted in the Healthpac report, needed to be treated as fraud. The Chief Planning and Funding Officer advised that there would be a focus on the use of NHI numbers by pharmacies.

9.2 Ostomy, Continence and Urology Products

Moved Vicki Salmon, seconded Di Nash

That the ADHB approves the selection of the suppliers shown in Table 1 put to the Audit Committee to a total value of \$1,632,245 to provide a range of ostomy, continence and urology products to ADHB and the selection of USL Medical Limited as the logistics provider for the Home Delivery Service.

The term of the contracts are fixed for three (3) years with an optional right of renewal for a further two (2) years, giving a maximum term of five (5) years. Contract expiry dates for Continence and Home Delivery Service are inline with similar Health Alliance contract

Carried

9.3 Digital Mammography & Stereotatic Breast Biopsy System

There had been some discussion in the Audit Committee of staying with analogue technology.

Moved Vicki Salmon, seconded Di Nash

That the ADHB approves the purchase of a Full Field Digital Mammography unit supplied by General Electric International, Incorporated (GE) at a cost of \$620,000, as well as entering a Product Supply Agreement with them.

Approval is also given for additional equipment required for the provision of a fully functional Digital Mammography Service:

- *A Mammatone ST biopsy system supplied by Johnson and Johnson at the cost of \$66,725.*
- *A Hausted Mammography/Biopsy chair supplied by Device Technologies at a cost of \$9,250.*
- *A PACS Workstation with 2K flat panel greyscale monitors at a cost of \$72,200.*

Upgrade the existing PACS archive at a cost of \$45,000 to accommodate the storage of the mammography images.

Carried



10. GENERAL BUSINESS

There were no items of general business.

11. NEXT MEETING

The meeting closed at 3.50 pm.

The next meeting will be held on:
Thursday 2 December 2004
Marion Davis Library
Auckland City Hospital
Grafton

CONFIRMED

CHAIR:

DATE: