

Statement on behalf of the PHO Caucus*, PHO Services Agreement Amendment Protocol

Primary Health Organisations (PHOs) welcome the opportunity to enter negotiations with Health NZ | Te Whatu Ora, regarding increases to general practice funding for the next financial year (commencing July 1 2025).

In recent years increases to funding for services covered by the PHO Services Agreement have been subject to compulsory variation, after being rejected by both PHOs and Contracted Provider representatives as being inadequate.

The PHO Caucus is embarking on negotiations which begin tomorrow (1 May) in good faith, and welcomes the commitment on the part of Health NZ | Te Whatu Ora to conduct a transparent, collaborative and high trust process.

The PHO Caucus is mindful of the fiscal environment and Health NZ | Te Whatu Ora's current deficit, but pleased to see the Government's recent recognition of primary care as the cornerstone of the health system, and the need to invest in improving access to general practice.

Consequently, we expect the funding uplift for the coming financial year to address cost pressures on general practice, without further shifting of costs to patients through increased co-payments.

General practice capitation funding has not kept pace with those cost pressures over many years. The Sapere report (<https://www.dpmc.govt.nz/sites/default/files/2022-11/HTU-future-capitation-funding-approach.pdf>) found that general practice needed \$138m just to stand still, based on 2022 figures, and the gap between funding and costs has widened since then. Last year, Health NZ | Te Whatu Ora processes confirmed that practice costs had increased by 5.88%, but capitation funding was increased by just 4%, leaving the gap to be covered by increases in patient fees, which have increased by an average of 10% over the past year.

The New Zealand health survey told us that one in six people were delaying or missing out on general practice consultations because of cost, even before those fees increases took effect. This also adds even more pressure to the hospital system, as people become sicker or seek care from emergency departments.

The Sapere report – which had broad political support - drew attention to the need to overhaul the outdated capitation model, which does not recognise the multiple factors impacting utilisation and need in general practice. Over the past year significant work has gone into development of a revised model that would take more account of factors such as rurality, ethnicity, deprivation and complexity, enabling funding to be targeted better at those who need it most.

This critical capitation 'reweighting' presents a unique opportunity to reset funding for general practice and support the shared objectives of improving access to general practice for the people of New Zealand. In parallel with this year's negotiations, we expect to see urgent progress on refinement and implementation of that revised funding model, informed by sector experts who best understand general practice and clinical need.

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*The PHO Caucus is comprised of representatives of Primary Health Organisations (PHOs) who are party to the PHO Services Agreement ([Primary Health Organisation Services Agreement – Health New Zealand | Te Whatu Ora](#)). Other parties in the negotiations are Contracted Providers – representatives from general practice who enter a ‘back to back agreement’ to provide services under the PHO Services Agreement - and Health NZ | Te Whatu Ora