



“New Zealand’s peak body representing the entire health and medical research pipeline”

Submission to: Finance and Expenditure Committee
Subject: [Budget Policy Statement 2024](#)
From: New Zealanders for Health Research (NZHR)¹
Date: 22nd April 2024

Recommendations

New Zealanders for Health Research (NZHR) recommends that BPS 2024:

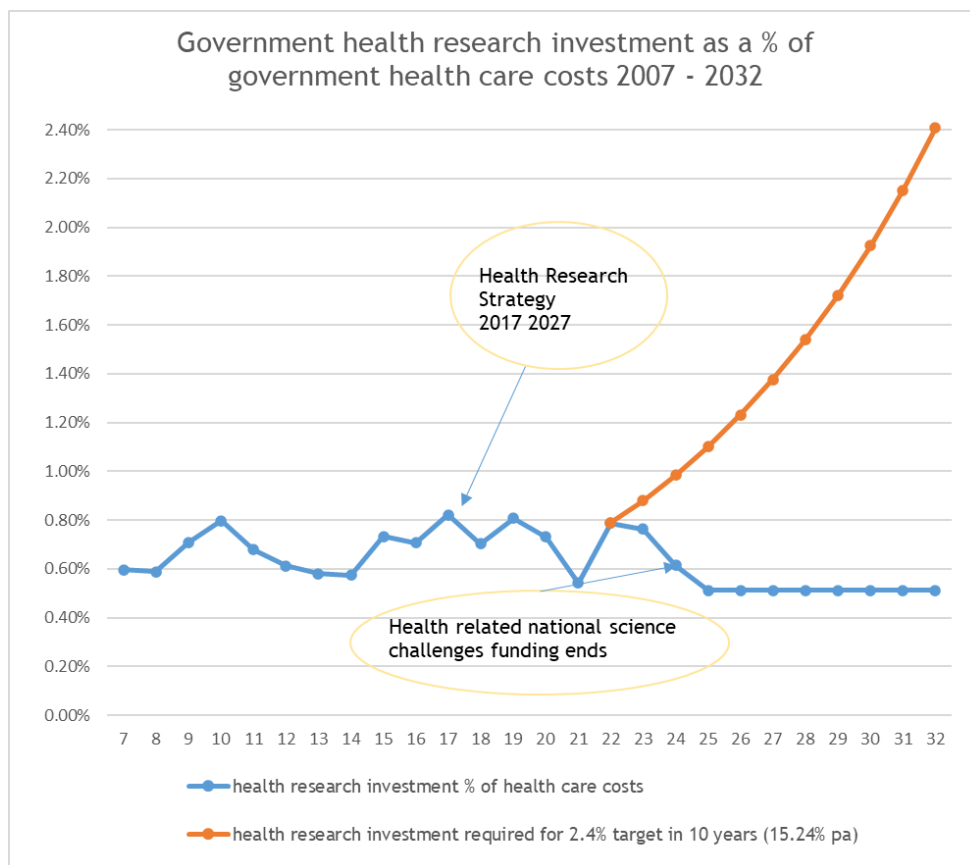
1. Includes a set of authentic wellbeing objectives as required by the 2020 amendment to the Public Finance Act
2. Demonstrates how the Budget 2024 priorities contribute to the Government’s overarching goals for its term of office, including improved health outcomes in particular
3. Includes the following as priorities for Budget 2024:
 - a. Improving the health, wellbeing and quality of life for all New Zealanders
 - b. Increasing research and development investment so that New Zealanders’ health, wellbeing and quality of life is protected, maintained and improved
4. Amends the operating balance and government spending commentary to include analysis of the extent to which government expenditure can be considered an investment in New Zealanders’ future health, wellbeing, quality of life and productivity
5. Includes investment in R&D as one of the components of its fiscal strategy, including the government’s commitment to achieving its 2% of GDP target by 2030
6. Amends the commentary on debt so that there is recognition that high quality investments that provide benefits to New Zealand over time should include investment in New Zealanders’ health, wellbeing and quality of life, which will increase the productive capacity of the economy.
7. Recognises that sustained increased investment in health research is essential for the achievement of improved health outcomes, thereby providing a policy framework which will enable the 2024 Budget to commit to a ten-year 2.4% of government healthcare costs health research investment trajectory, representing increases of at least 15% per year

¹ <https://www.nz4healthresearch.org.nz/>

Introduction

NZHR has over several years repeatedly called for investment in health research to be substantially increased. However, as illustrated in the chart below, government investment in health research has historically stagnated somewhere between about 0.6% and 0.8% of government health care costs. In the absence of any indications to the contrary this is forecast to fall to 0.51% after 2025/26 when funding for the health related national science challenges and other initiatives is due to end.

NZHR has frequently made the case for increasing government health research investment to 2.4% of health care costs, and, acknowledging that this will require time for health research workforce and facilities and equipment development to occur, argues that there should be a cast iron commitment to achieving the target over the course of the next decade. Based on the [analysis](#) that we presented to the Finance and Expenditure Committee in January 2023 this would require an investment growth trajectory of approximately 15% per annum.



Doing nothing is projected to result in investment of 0.51% of health care costs by 2025/26, which will prevail through to 2032/33.

This submission marks NZHR’s fourth successive annual attempt to address these concerns by engaging with the government’s Finance and Expenditure Committee (FEC) annual Budget Policy Statement (BPS) consultation processes. Although previous FECs have seen fit not to reflect NZHR’s recommendations in successive BPSs we believe that the arguments that we are presenting are so important for New Zealanders’ health, wellbeing, quality of life and standard of living that we have an obligation to once again stand and deliver.

Wellbeing objectives

Previous years' BPS documents have explicitly set out their underpinning wellbeing objectives, as derived from successive versions of Treasury's Living Standards Framework (LSF). Although NZHR criticised the superficiality of the LSF's health indicators, we supported the overall intent to explicitly link the Budget allocations to improving New Zealanders' health and wellbeing.

NZHR is concerned to see, therefore, that the wellbeing objectives in BPS 2024 have been conflated with the "Government's overarching goals for its term of office". The justification that meeting these objectives "is the most important contribution the Government can make to the long-term social, economic, environmental and cultural wellbeing of New Zealanders" is even more superficial than the content of previous years' BPS documents. Although elements of wellbeing may be discernible in the first two of the three stated objectives, NZHR fails to see how getting "the government's books back in order and [restoring] discipline to public spending" can be construed as a wellbeing objective.

All of the above notwithstanding we may have been less concerned if the Budget 2024 priorities could be seen to be contributing to the second of the Government's overarching goals for its term of office which in particular includes the intention to bring about improved health outcomes. None of the five Budget 2024 priorities are obviously relevant to improving health outcomes, and if the government's belief is that they are then the BPS would benefit by having this clearly spelled out.

NZHR therefore recommends that BPS 2024:

- Includes a set of authentic wellbeing objectives as required by the 2020 amendment to the Public Finance Act
- Demonstrates how the Budget 2024 priorities contribute to the Government's overarching goals for its term of office, including improved health outcomes in particular
- Includes the following as priorities for Budget 2024:
 - a) Improving the health, wellbeing and quality of life for all New Zealanders
 - b) Increasing research and development investment so that New Zealanders' health, wellbeing and quality of life is protected, maintained and improved

NZHR's supporting context for the above recommendations is our fundamental belief that it is a basic duty of the New Zealand government to support its citizens to live well for as long as possible, and at least to the internationally accepted "ripe old age" of seventy five years. This basic duty should be a key driver of how it allocates resources and distributes wealth through successive annual Budgets.

Our point is amplified in the amenable² and non-amenable³ premature mortality charts⁴ presented on the following page which indicate that over the past eight years premature mortality numbers have on average been increasing by about 3% per year since 2014, with the estimated 2022 figure standing at 13,000+. Of these NZHR estimates that 6000+ New Zealanders per year are dying early

² Amenable mortality is defined as premature deaths (deaths under age 75) that could potentially be avoided, given effective and timely health care. That is, early deaths from causes (diseases or injuries) for which effective health care interventions exist and are accessible to New Zealanders in need. Non-amenable premature mortality is total deaths under age 75 minus amenable premature deaths.

³ <https://www.health.govt.nz/publication/mortality-2017-data-tables> and earlier tables

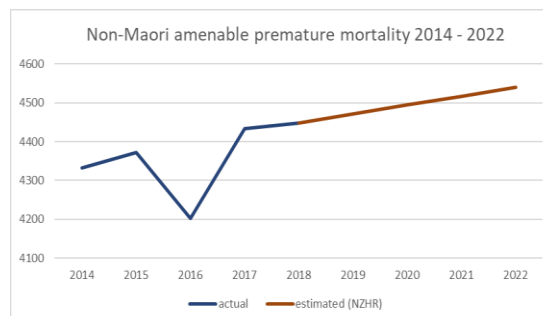
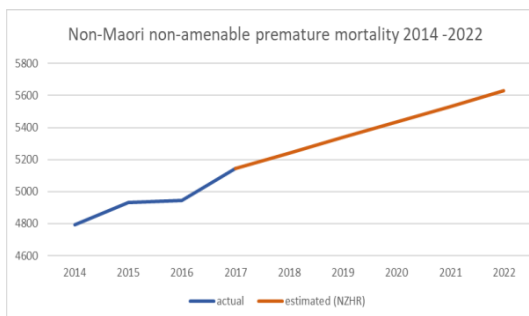
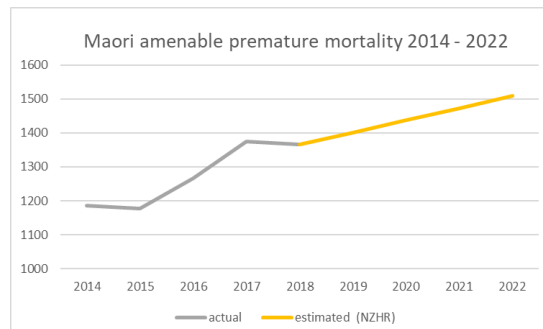
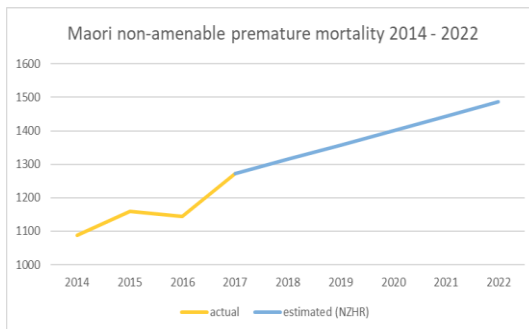
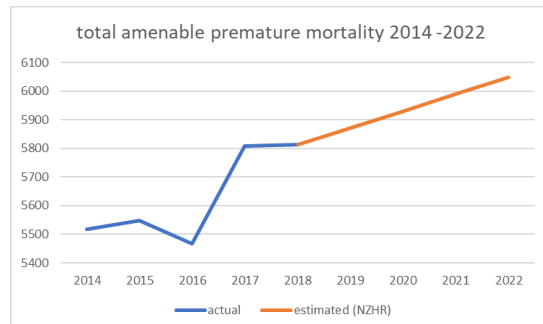
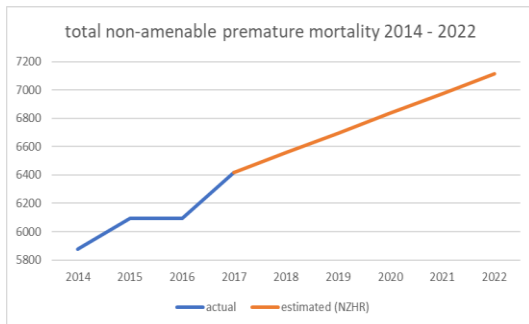
⁴ [amenablemortality 2016_dhb_ethnicity_years_rates_summary_202106.xlsx \(live.com\)](https://www.health.govt.nz/publication/amenablemortality-2016-dhb-ethnicity-years-rates-summary-202106.xlsx)

and unnecessarily from preventable causes and 7000+ are dying early because we have not yet done or embraced the research to know how to effectively treat them.

Moreover, despite the apparent similarity of the Māori and non-Māori trend lines, the cited source documents indicate that age standardised Māori premature mortality rates per 100,000 population are running at about twice the rate for non-Māori for both non-amenable and amenable mortality.

In summary, NZHR believes that because that most fundamental of wellbeing outcomes - the right of all New Zealanders to live well to a “ripe old age” of at least 75 years - has not been featured or measured or quantified in successive BPSs it is not surprising that successive Budgets have failed to allocate sufficient resources to the specific measures that would directly address the underlying issues that contribute to New Zealand’s currently poor health outcomes.

NZHR acknowledges that our figures represent the tail end of what up until 2016 had been a notable 26 year downward trend in age-standardised rate of years of life lost per 100,000 population⁵, and that our estimated up-ticking trend lines post-2017 are based on only a few years’ data. However, the accuracy of the non-amenable premature mortality figure for 2017 has been independently verified⁶ as being understated, leading us to believe that our figures are most likely conservative.



⁵Ministry of Health. 2020. Longer, Healthier Lives: New Zealand’s Health 1990-2017. A report on the health loss estimates of the 2017 Global Burden of Disease Study <https://www.health.govt.nz/system/files/documents/publications/longer-healthier-lives-new-zealands-health-1990-2017.pdf>

⁶ NZIER. 2022. Valuing health research in New Zealand: Feasibility study. A report for New Zealanders for Health Research

Investment

BPS 2024 is silent on investment.

Investing in New Zealanders' health, wellbeing, quality of life and standard of living will result in big productivity gains and less expenditure on mitigating the effects of poor, or suboptimal, health, wellbeing and quality of life outcomes. BPS 2024 would be improved if when it talks about expenditure it draws a distinction between:

1. expenditure as an investment to achieve future productivity gains,
2. expenditure to necessarily preserve the status quo, and
3. expenditure which achieves neither of these things and can therefore be identified as unnecessary and therefore saved.

NZHR's submission focuses on the first of these distinctions.

Investment in research and development

New Zealand's current rate of R&D investment stands at 1.4% of GDP⁷, comparable small modern economies report R&D investment rates of around 3%⁸, the OECD average rate of R&D investment is 2.7%⁹ and New Zealand has (or had) a ten year aspirational R&D target of 2.0%.

BPS 2024 fails to include the role of R&D investment as a key contributor to future economic growth. Nor does it identify R&D investment as a key component of its fiscal strategy. This is in contrast to the New Zealand Productivity Commission/Te Kōmihana Whai Hua o Aotearoa Report "New Zealand firms: Reaching for the frontier", which draws significant attention to New Zealand's very low levels of R&D compared to other small advanced economies¹⁰.

A commitment to increased R&D investment should be reflected in the 2024 Budget allocations. This should not be delayed pending the outcome of the work of the Science System Advisory Group.

NZHR therefore recommends that BPS 2024:

- Amends the operating balance and government spending commentary to include analysis of the extent to which government expenditure can be considered an investment in New Zealanders' future health, wellbeing, quality of life and productivity
- Includes investment in R&D as one of the components of its fiscal strategy, including the government's commitment to achieving its 2% of GDP target (or more) by 2030
- Amends the commentary on debt so that there is recognition that high quality investments that provide benefits to New Zealand over time should include investment in New Zealanders' health, wellbeing and quality of life, which will increase the productive capacity of the economy.

⁷ <https://figure.nz/chart/4oQ0kEfbVjuSTvNp>

⁸ <https://www.mbie.govt.nz/dmsdocument/6935-new-zealands-research-science-and-innovation-strategy-draft-for-consultation>

⁹ OECD. March 2022. OECD Main Science and Technology Indicators. <https://www.oecd.org/sti/msti-highlights-march-2022.pdf>

¹⁰ New Zealand Productivity Commission (2021). New Zealand firms: Reaching for the Frontier.

<https://www.productivity.govt.nz/assets/Documents/Final-report-Frontier-firms.pdf>. See F2.2 "New Zealand's lower rankings and performance in R&D [and] broader innovation ... both contribute to and reflect its weak productivity performance and relative absence of successful frontier firms"

Investment in health research and development

Health research and innovation is the single most important way in which we improve our health and healthcare - by identifying and implementing the best means to prevent, diagnose and treat conditions.

Yet New Zealand's health system falls short when it comes to both discovering new interventions and translating the results of health research into practices and policies which will result in realisation of that most fundamental of health outcomes - the right of all New Zealanders to live well to a "ripe old age".

The Pae Ora (Healthy Futures) Act includes requirements for Te Whatu Ora to "undertake and support research relating to health", and to "evaluate the delivery and performance of services provided or funded". These are significant steps towards the embedding of health research as an essential component of New Zealand's health system which has not featured in any previous similarly overarching health sector legislation.

MBIE, the Ministry of Health and the Health Research Council collectively acknowledge that New Zealand underinvests in health research¹¹. Furthermore, 66% of the 2022 Kantar NZHR opinion poll respondents said that the 2022/23 budgeted allocation of \$173m was too low, only 9% said that an allocation of less than 1% of health care costs was an appropriate level of health research investment, and 39% said it should be more than 2%.¹²

The Pae Ora (Healthy Futures) Act will result in additional pressure being put on already very limited health research resources, and give weight to our contention that the 2024 BPS should clearly signal increased investment in health (and other) research to enable the newly created health entities to carry out their statutory functions.

NZIER's assessment of the economic value of investing in health research in New Zealand¹³ concludes that:

"Considering the body of evidence from countries with similar health issues, health systems and economies, reflecting a wide range of health research similar to New Zealand's research portfolio, an expected value can be estimated. Our ballpark estimate is that based on approximately \$493.444 million of investment in health research [from all sources] annually, the total benefits to New Zealand are likely to be between \$1.1 billion and \$1.9 billion, or annual flows of between \$64 million and \$148million. These estimates require further research to be confirmed."

The NZIER report also states that:

"One simple way of illustrating the potential value of future health research is to estimate the value of lost production due to premature deaths from what are currently considered to be non-amenable causes of mortality. Based on deaths in 2017 (the most recent complete year for which complete mortality data is available), our estimate of this potential is \$3 billion to \$4 billion."

NZHR therefore recommends that BPS 2024:

- Recognises that sustained increased investment in health research is essential for the achievement of improved health outcomes, thereby providing a policy framework which will enable the 2024 Budget to commit to a ten-year 2.4% of government healthcare costs health research investment trajectory, representing increases of at least 15% per year

¹¹ The New Zealand Health Research Prioritisation Framework. Dec 2019. p 19. https://www.hrc.govt.nz/sites/default/files/2020-01/NZ%20Prioritisation-Framework-FA-web_0.pdf

¹² NZHR. 2022. Kantar NZHR Opinion Poll. New Zealand Speaks! <https://nz4healthresearch.org.nz/wp-content/uploads/2022/12/NZHR-Report-2022-Online-final.pdf>

¹³ NZIER. October 2022. Valuing Health Research in New Zealand Feasibility Study. NZIER report to New Zealanders for Health Research



NZHR constituency

New Zealanders for Health Research (NZHR) - New Zealand's peak body representing the entire health and medical research pipeline - was established in November 2015 to bring about increased investment in health research from government, industry and philanthropy.

We are committed to bringing about best possible health for all New Zealanders, and we're on a mission to increase investment in health research as an essential and embedded component of all parts of New Zealand's health system, responsive to New Zealanders' unique health imperatives. We believe that health research has the potential to both save and improve peoples' lives. We are therefore committed to ensuring that the results of health research are translated into policy, practice and individual decision making, and for there to be a level of investment in health research to enable this to happen as optimally as possible.

Chris Higgins

Chairperson | New Zealanders for Health Research

+64 27 292 8433 mobile | ceo@nz4healthresearch.org.nz www.nz4healthresearch.org.nz

22nd April 2024