



# Office of Hon Tony Ryall

Minister of Health  
Minister of State Services

17 AUG 2009

Mr Errol Millar  
Chair  
Otago District Health Board  
Private Bag 1921  
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Dear Mr Millar

## **Otago District Health Board: 2009/10 District Annual Plan**

This letter advises you that I have signed Otago District Health Board's (DHB) 2009/10 District Annual Plan (DAP) for one year and that the Board has my support for implementing this one year plan.

I accept your DAP is the result of your Board's consideration of how your resources are best allocated, including the additional \$18.27M or 4.38 percent increase provided to your DHB for the 2009/10 year.

I appreciate the efforts your Board and management have put in over the past year to manage your DHB in a sustainable manner. More work lies ahead to achieve long lasting sustainability. Given the severe impact of the international financial situation on the fiscal position, the 2010/11 and out-years funding increase for health will be lower than the FFT and Demographics' planning signals notified in December 2008. At the same time pressures from cost, demand, and technology remain. In this environment it is important that you achieve productivity gains and manage your services within your allocated funding. The Government's priority is for funding to be directed towards front line services.

Your Board's revised financial position following my rejection of your DAP is acknowledged. I note that Otago DHB is proposing a reduction of \$700k taking the planned financial position to \$7.0M with no clear pathway to breakeven in the out-years. Improving the financial performance of your DHB is a key priority for your Board.

It is my understanding that a productive meeting was held between the DHB and the Ministry on 22 July 2009, identifying a clear pathway to the resolution of mental health issues. This includes a joint exploration of models of care with the Ministry to ensure that Otago DHB delivers mental health and addiction services to its population at a lower cost, while maintaining at least the level of existing access and quality of services.

Your plan will likely involve the DHB considering some service re-design and there are examples of innovation in the sector, with good clinical outcomes, that Otago DHB could learn from. I expect your plan to identify the amount of any additional funding required to implement any changes and the amount of longer term savings.

I expect Otago DHB to develop a Financial Recovery Plan and submit to the Ministry by 30 September 2009. This will enable you to develop a robust implementation plan, and to identify a path to breakeven by 2011/12, as requested in February 2009 as part of the one year approval of your 2008/09 DAP.

It is strongly recommended that your Board ensures the collaborative approaches outlined in your DAP are implemented. I expect to see examples of this collaboration to include best practice sharing between DHBs, intersectoral co-operation and constructive engagement with non-Government organisations in the sector. In particular I expect to see a high degree of collaboration with other South Island DHBs.

The approval of your DAP does not constitute approval of proposals for service changes or service reconfigurations. You will need to comply with the requirements of the Operational Policy Framework and advise the Ministry where any proposals may require my approval.

It is important that you manage your services within your allocated funding. I note the risks outlined in your DAP and the mitigation strategies you have identified. I expect robust financial performance and that you continue to keep the Ministry informed of emerging risks. The approval of your DAP does not mean acceptance of your assumptions in the out years.

My approval of your DAP does not mean approval for any capital projects requiring equity or new lending, or self-funded projects that require the support of the National Capital Committee. Approval of such projects is dependant on both completion of a sound business case, and evidence of good asset management and health service planning by your DHB. Approval for equity or new lending is also managed through the annual capital allocation round.

I wish you, your Board and management every success with the implementation of your 2009/10 DAP, and thank you for your contribution and efforts to improve the health of New Zealanders.

Finally, please ensure that a copy of this letter is attached to the copy of your signed DAP held by the Board and to all copies of the DAP made available to the public.

Yours sincerely



Hon Tony Ryall  
**Minister of Health**



Hon Bill English  
**Minister of Finance**