

An excerpt from:

Better Health & Social Care: How are Co-ops & Mutuels Boosting Innovation & Access Worldwide?

An International survey of co-ops and mutuals at work in the health and social care sector (CMHSC14)

Volume 2: National Cases

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For the research framework, the analysis of the national cases, and other research components, including a description of the research team members, refer to Volume 1: Report.

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HEALTH SYSTEM

New Zealand's health care system is a mix of public and private (for-profit and not-for-profit) ownership across a wide range of health services.² New Zealand has a largely tax-funded health system, with 78% of total health expenditure financed by public sources.³ Out-of-pocket payments (16%) and private health insurance (6%) finance the remaining expenditure. Most hospital services in New Zealand are delivered in State-owned hospitals, fully tax-funded for all citizens. During the past two decades, government health spending has been gradually rising in real per capita terms, from 15.5% of government expenditure in 1993 to 17.3% in 2012. Public health expenditure has also been growing as a proportion of GDP, from 5.1% of GDP in 1993 to 10.3% in 2012.⁴

Primary health care services are provided by self-employed private practitioners, usually in group practices and only 60% funded by government.⁵ Most community-based services and long-term residential care services are also delivered by private organizations, usually on a not-for-profit basis.

Earlier observations have indicated significant and enduring health disparities in terms of both ethnicity and deprivation.⁶ For example, Sheridan et al. (2011) have pointed out the widening health gap between Māori and Pacific population⁷ with lower socioeconomic status than other New Zealanders. The Māori and Pacific populations have been experiencing much higher levels of chronic disease. Life expectancy among Māori New Zealanders is about nine years less than other New Zealanders.⁸ With respect to access to primary health care, significant financial, cultural, and geographical barriers still exist in some parts of the country.⁹

Facing with the problem of a significant health gap, the health care system has experienced more than three decades of radical restructuring.¹⁰ Since 2000 a greater emphasis has been placed on equal access to primary health care.¹¹ Aimed at reducing health access barriers, the country's current Primary Health Care Strategy is characterized by "the groupings of the primary care providers (including general practitioners, primary care nurses and other health professionals such as Māori health providers and health promotion workers) into networks called Primary Health Organizations."¹² According to the strategy put forward by the new Labour-led coalition government in 2001, primary health organizations need to be "community owned and governed, not-for-profit, and include other primary care professionals and lay members on their governance boards."¹³

In the meantime, 21 District Health Boards were established, governed by locally-elected representatives and funded on a population basis.¹⁴ These Boards integrate hospitals into their funding bodies, and "plan, manage, provide and fund services for the populations of their districts" (including "funding for primary care,

Population (in thousands): 4,460

Population median age (years): 36.85

Population under 15 (%): 20.26

Population over 60 (%): 19.01

Total expenditure on health as a % of Gross Domestic Product: 10.3

General government expenditure on health as a % of total government expenditure: 20.3

Private expenditure on health as a % of total expenditure: 17.3

public health services, aged care services and services provided by other non-governmental health providers, such as Māori and Pacific providers").¹⁵ The 21 District Health Boards fund the provision of primary health care through 84 Primary Health Organizations of various shapes and sizes. As a result of this reform, the fee paid by patients for a visit from a general practitioner has been reduced to \$21 USD (25 NZD). Even this sum still may make the access to primary care "unaffordable for those with fewer financial resources."¹⁶

Finally, community pharmacies are regarded in New Zealand as "an integral part of primary health care", although they serve as "an underachiever in terms of the expectations of current policy."¹⁷

HEALTH COOPERATIVES¹⁸

In New Zealand, two health cooperatives were identified. **City Medical Ltd.** (1986; often referred to as the Napier Health Centre) is owned and operated by more than 40 local doctors from the Napier/Taradale area. These members are a mix of staff doctors headed by a medical director, locums, and rostered doctors from the local community. Supported by more than 70% of all general

practitioners in the area, the cooperative provides both urgent medical care and other kinds of care service, including pre-employment health checks, staff health checks, immunizations, day surgery, and personal advice. City Medical operates with the support of the Hawke's Bay District Health Board and Accident Compensation Commission. With its 13 practices in total, the cooperative has about 35,000 patients each year.¹⁹

Anglesea Clinic Accident and Medical Ltd. (1987) is located in the greater Waikato region, in the heart of Hamilton. Its medical centre has four combined areas: Anglesea Clinic, Symmans House, John Sullivan House, and the Knox Street Clinic. Based on its website, the clinic provides "an extensive range of private specialist services in conjunction with compatible professional activities."²⁰

Health Cooperative Data²¹

Number of cooperatives	2
Types of cooperative	Producer (2)
Number of members	N/A
Number of employees	N/A
Users	N/A
Facilities	> 13 practices
Services offered	Primary care, emergency care, private specialist services, health checks, immunization, day surgery, personal advice Illness/accident prevention: Yes Wellness and health promotion: Yes Treatment and cure: Yes Rehabilitation: No
Annual turnover	N/A

HEALTH MUTUAL ORGANIZATIONS

In terms of organizational structures, New Zealand's private health insurers range from mutuals, friendly societies, and not-for-profits through to for-profit companies.²² According to the Health Funds Association of New Zealand,²³ by March 2013 1.34 million New Zealanders had health insurance, approximately 30% of the national population. This percentage was a decline of around 4% (55,000 people) from a peak in December 2008.²⁴

Eleven health insurers are members of the Health Funds Association.²⁵ Six of them are private, not-for-profit organizations, namely, Accuro Health Insurance, EBS Health Care, Manchester Unity Friendly Society, Police Health Plan Ltd, Southern Cross Healthcare, and Union Medical Benefits Society Ltd (Unimed). Most of them are open to the general public, except for EBS Health Care (open to members or employees of the education union), and

Police Health Plan Ltd (open to current and former sworn and non-sworn employees of the New Zealand Police, and their families). Among them, it is estimated that Southern Cross alone has 75% of market share.²⁶ The Medical Protection Society and the Medical Assurance Society are two other health mutuals which do not belong to the Health Funds Association of New Zealand. In total, eight health mutual organizations are registered in New Zealand.

Reportedly, the environment for the development of health insurance has grown less favourable in the country. So far, there has been "little recognition from officials" of the value of health insurance, and "recent engagement with officials looking at policy options whereby health insurance might play a greater role in helping fund future healthcare costs has been disappointing." Until recently there had been an increasing acceptance "that health insurance is an option in its own right for helping address the unsustainability of public health spending."²⁷

PHARMACY COOPERATIVES

Four pharmacy cooperatives were identified in this study. Compared with health cooperatives, the development of pharmacy cooperatives in New Zealand is advanced and has a much longer history.

The earliest pharmacy cooperative in the country, CDC Pharmaceuticals, was established in 1927 in Christchurch. After several expansions, this producer cooperative has become a wholesaler providing to its members (pharmacy business owners) various medical goods, including pharmaceuticals, over-the-counter medicine (OTC), and veterinary products.²⁸

In 1978, two other producer-owned pharmaceutical wholesaler cooperatives came into being, Pharmacy Wholesalers (Central) Ltd.²⁹ and Pharmacy Wholesalers (Bay of Plenty) Ltd.³⁰ These two wholesale suppliers offer a comprehensive range of pharmaceutical and related products, such as OTCs, and retail lines. They service pharmacies and hospitals throughout the central regions of the North Island (Pharmacy Wholesalers Central) and Taupo north of New Zealand (Pharmacy Wholesalers Bay of Plenty). In total they have four full-line warehouses, situated in New Plymouth, Napier, Wanganui (Central), and Tauranga (Bay of Plenty).

Another, more recent pharmacy cooperative, Health 2000, was founded in 1993. This cooperative group is active in the natural health retail sector and has been formed by members "who had a passion and belief in natural health."³¹ Indeed, many of them are naturopaths, homoeopaths, herbal specialists, or sports therapists who own their stores independently. These 82 stores are spread over 15 regions out of 16 in the country.³²

SOURCES

- ¹ A more detailed version of this case is available upon request.
- ² Ashton T., Mays, N., and N. Devlin. 2005. "Continuity through change: The rhetoric and reality of health reform in New Zealand." *Social Science & Medicine* 61(2):253-262; and Sheridan, N. F., et al. 2011. "Health equity in the New Zealand health care system: A national survey." *International Journal for Equity in Health* 10 (45):1-14.
- ³ Ministry of Health. 2004. "Health expenditure trends in New Zealand 1980–2002." Wellington: Ministry of Health; quoted in Ashton et al. 2005:254.
- ⁴ Health Funds Association of New Zealand (HFANZ). 2013a. "Fact File – Health Insurance in New Zealand." Retrieved July 29, 2014 (http://www.healthfunds.org.nz/pdf/HFANZ_Fact_File_April_2013.pdf).
- ⁵ Jatrana, S., and P. Crampton. 2009. "Primary health care in New Zealand: Who has access?" *Health Policy* 93(1):1-10.
- ⁶ Hefford, M., Crampton, P., and J. Foley. 2005. "Reducing health disparities through primary care reform: The New Zealand experiment." *Health Policy* 72(1): 9-23; Jatrana and Crampton 2009; Sheridan et al. 2011.
- ⁷ In 2013, the estimated total New Zealand population was 4,475,000. See Statistics New Zealand. 2014. "Population Indicators." Webpage. Retrieved July 29, 2014 (http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/pop-indicators.aspx). Māori New Zealanders (the indigenous population) constituted 15% of the total population, and Pacific New Zealanders (i.e., first or second generation immigrants from Samoa, Cook Islands, Tonga, Fiji, and the other South Pacific islands) constituted 6-7% of the total population (Hefford et al. 2005:10; Sheridan et al. 2011:2).
- ⁸ Ministry of Health. 2002. "An indication of New Zealanders' health." Wellington: Ministry of Health, Public Health Intelligence Unit; quoted in Hefford et al. 2005:10.
- ⁹ Jatrana and Crampton 2009:2.
- ¹⁰ Ashton et al. 2005; Sheridan et al. 2011.
- ¹¹ Sheridan et al. 2011:3.
- ¹² Based on the information provided by Jatrana and Crampton (2009:2): "Two different PHO types (Access and Interim) were developed. 'Access' PHOs were those organisations that had an enrolled population with more than 50% identified as high need as determined by deprivation (those living in the two most socioeconomically deprived deciles) and ethnicity Māori and Pacific. All other PHOs were 'Interim'. In order to make the biggest difference to those in greatest need, the higher subsidy rates were initially paid to people enrolled in Access PHOs."
- ¹³ Gauld, R., and N. Mays. 2006. "Are New Zealand's new primary health organisations fit for purpose?" *British Medical Journal* 333(7580):1216-1218.
- ¹⁴ Devlin, N., Maynard, A., and N. Mays. 2001. "New Zealand's new health sector reforms: Back to the future?" *British Medical Journal* 322 (7295):1171-1174.
- ¹⁵ Sheridan et al. 2011:3.
- ¹⁶ Jatrana and Crampton 2009:8.
- ¹⁷ Scahill, S., Harrison, J., Carswell, P., and J. Shaw. 2010. "Health care policy and community pharmacy: implications for the New Zealand primary health care sector." *New Zealand Medical Journal* 123(1317):41-51.
- ¹⁸ We would like to acknowledge Mr. Ramsey Margolis (Huia CDS, Website: (<http://www.huia.coop>) for providing a list of the health cooperatives and mutuals based on his knowledge. Additional information on health mutual organizations was gathered on the basis of a literature review and web search.
- ¹⁹ City Medical. 2014. Website. Retrieved July 29, 2014 (<http://www.citymedicalnapier.co.nz/history/>).
- ²⁰ Anglesea Medical. 2014. "Anglesea Medical – Integrated Healthcare." Webpage. Retrieved July 29, 2014 (<http://www.angleseamedical.co.nz/>).
- ²¹ As of June 2014.
- ²² Organisation for Economic Co-operation and Development (OECD). 2004. *Private health insurance in OECD countries*. Paris: OECD Health Project Publication. P. 66.
- ²³ HFANZ 2013a:7.
- ²⁴ Health Funds Association of New Zealand. 2013b. "Annual Review 2013." Retrieved July 29, 2014 (<http://www.healthfunds.org.nz/pdf/2013-annual-review.pdf>).
- ²⁵ HFANZ 2013a.
- ²⁶ OECD 2004:66.
- ²⁷ HFANZ 2013b.
- ²⁸ CDC Pharmaceuticals Ltd. 2014. Website. Retrieved July 29, 2014 (<http://www.cdc.co.nz/>).
- ²⁹ Pharmacy Wholesalers (Central) Ltd. 2014. Website. Retrieved July 29, 2014 (<http://www.pwlcentral.co.nz>).
- ³⁰ Pharmacy Wholesalers (Bay of Plenty) Ltd. 2014. Website. Retrieved July 29, 2014 (<http://www.pwl.co.nz/>).
- ³¹ Health 2000. 2014. Website. Retrieved July 29, 2014 (<http://www.health2000.co.nz/>).
- ³² Note that Pharmacy Wholesalers Central, Pharmacy Wholesalers Bay of Plenty, and Health 2000 are all members of the New Zealand Cooperatives Association.