



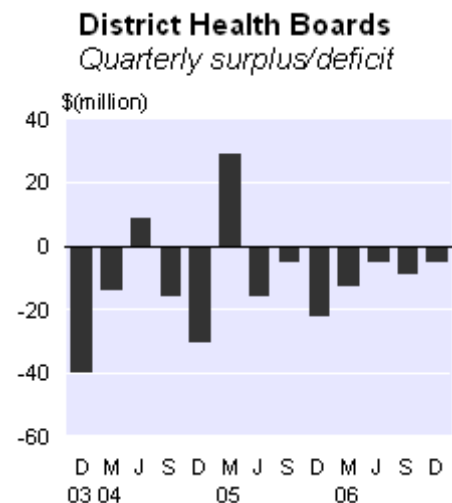
Embargoed until 10:45am – 19 February 2007

District Health Board Financial Statistics

December 2006 quarter

Highlights

- The district health board deficit was **\$4.7 million** for the December 2006 quarter.
- Operating expenditure of public hospital and health service providers was **\$1,395.9 million**, 6.8 percent higher than in the December 2005 quarter.
- District health board revenue was **\$2,471.4 million** this quarter, 8.6 percent higher than in the December 2005 quarter.
- Taxpayers' equity at 31 December 2006 was **\$1,889.2 million**, \$496.6 million higher than at 31 December 2005.



Brian Pink
Government Statistician

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There is a companion Media Release published – [District Health Board Financial Statistics: December 2006 quarter](#).

Commentary

Results refer to actual values.

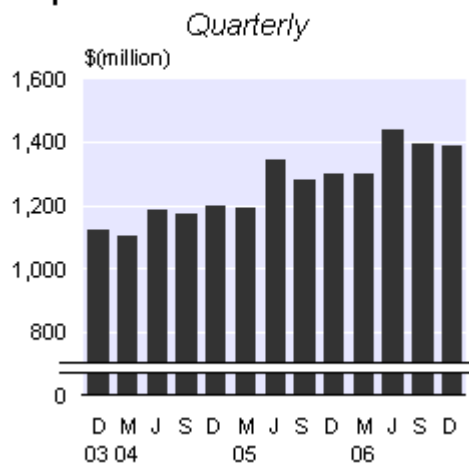
Quarterly results

The total DHB deficit was \$4.7 million in the December 2006 quarter. This was \$3.5 million lower than the \$8.2 million deficit in the September 2006 quarter, and significantly lower than the \$21.8 million and \$30.3 million deficits recorded during the December 2005 and December 2004 quarters, respectively.

When compared with the previous quarter, total DHB expenses increased by \$20.1 million, to reach \$2,476.2 million in the December 2006 quarter. The two major components were: operating expenditure by hospital and health service providers (HHS) at \$1,395.9 million (down 0.3 percent); and the purchase of medical services by non-government providers and inter-DHB services at \$1,068.2 million (up 2.3 percent).

Total operating expenses were up \$88.9 million (6.8 percent) compared with the December 2005 quarter.

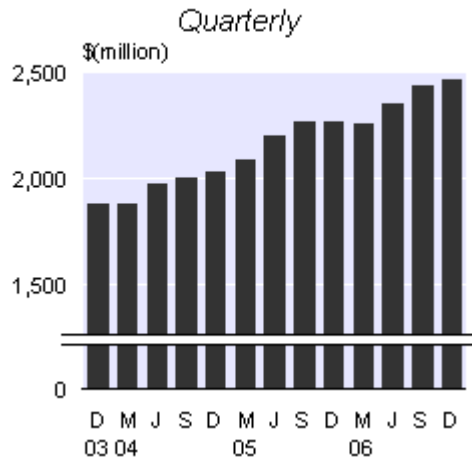
Total Operating Expenses of Public Hospital and Health Service Providers



In the December 2006 quarter, total DHB revenue increased to \$2,471.4 million, up \$23.5 million (1 percent) from the September 2006 quarter. Funding from the Ministry of Health increased by \$28.2 million, to reach \$2,080.5 million in the December 2006 quarter. Other funding from government, which includes inter-DHB receipts, declined by \$5.3 million to reach \$276.8 million.

Total revenue increased by \$195.8 million (8.6 percent) compared with the December 2005 quarter.

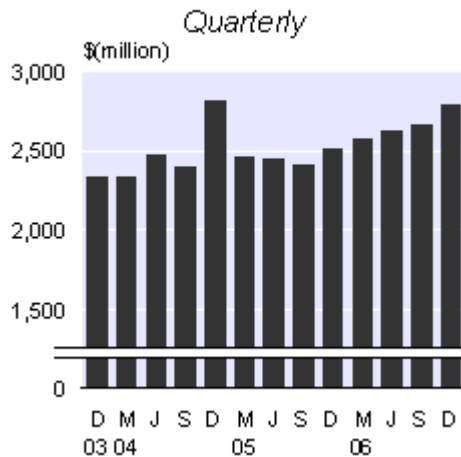
Total District Health Board Revenue



Equity and liabilities

Total equity and liabilities increased to \$4,695.1 million at the end of the December 2006 quarter. Liability levels were up \$136.6 million to \$2,805.9 million. Total liabilities consisted of current liabilities at \$1,648.4 million (up \$138 million compared with the September 2006 quarter), mainly due to additional borrowing to fund redevelopment; long-term loans at \$1,059.3 million (up \$0.2 million); and other term liabilities at \$98.2 million (down \$1.6 million).

Total District Health Board Debt

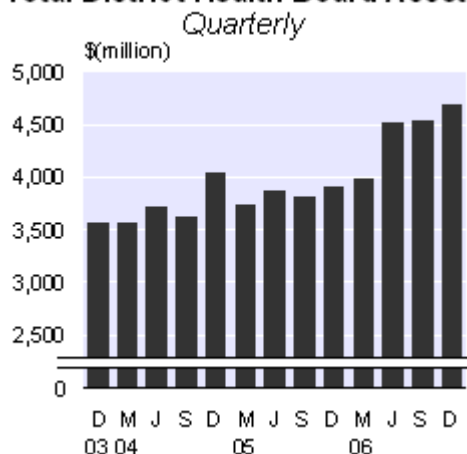


The increase in liabilities during the December 2006 quarter has been largely offset by the increase in the value of total assets, with a consequent increase in taxpayers' equity in DHBs to \$1,889.2 million. As a result, the debt to equity ratio has risen this quarter, up from 1.42 in the September 2006 quarter to 1.49 in the December 2006 quarter.

Assets

The total value of DHB assets at 31 December 2006, was up 3.2 percent (\$146.6 million) compared with 30 September 2006. Increases were recorded in the value of all asset categories: other current assets (up \$76 million), mainly due to funding from increased borrowing; fixed assets (up \$55.5 million), mainly due to work in progress; investments (up \$13.6 million); and inventories (up \$1.4 million). Additions to fixed assets were up 10.6 percent (\$108.2 million) compared with the September 2006 quarter.

Total District Health Board Assets



Revisions

This release incorporates audited data relating to the June 2006 year. As a result, there have been revisions to the June 2006 quarter statistics. There have been no revisions to any previous quarters.

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This DHB release will be the last published by Statistics New Zealand. For future reference, kindly refer to the Ministry of Health's website. For more information see the Technical notes of this release.

Technical notes

District health board financial statistics

With the passing of the New Zealand Public Health and Disability Act in December 2000, major changes to the structure of the New Zealand publicly funded health sector came into effect from 1 January 2001. Existing hospital and health service (HHS) providers and the Health Funding Authority were disestablished, and 21 district health boards (DHBs) were created. The Ministry of Health initially carried out all the funding obligations of the former Health Funding Authority.

The June 2002 financial year was the first year in which the DHBs started to take over responsibility for the needs analysis, health planning, prioritisation and funding of health and disability services for their respective populations from the Ministry of Health (previously carried out by the Health Funding Authority). This is an ongoing process, with, for example, the increase in Ministry of Health funding in the December 2003 quarter resulting from the devolution of responsibility of additional services from the Ministry of Health to the DHBs.

To maintain transparency and accountability, DHBs are required to produce financial statements separately detailing the performance of their three distinct arms:

- Governance. This consists of the board members, who are jointly responsible for the development of policy and strategy.
- Provider. This is responsible for the running of public hospitals and other related public health services.
- Funding. This is responsible for allocation of funding to the governance and provider arms, as well as to non-government health providers for the purchase of medical services, such as maternity services from private hospitals and general medical subsidies payable to general practitioners.

This Hot Off The Press includes financial information on the full range of DHB activities. However, in order to maintain a consistent time series with previously published data on public HHS providers, this function continues to be identified as a separate series.

There are now 21 DHBs throughout New Zealand. They are just one type of the many providers of health care services. The 21 DHBs are:

1. Auckland DHB
2. Bay of Plenty DHB
3. Canterbury DHB
4. Capital and Coast DHB
5. Counties Manukau DHB
6. Hawke's Bay DHB
7. Hutt DHB
8. Lakes DHB
9. MidCentral DHB
10. Nelson Marlborough DHB
11. Northland DHB
12. Otago DHB
13. South Canterbury DHB
14. Southland DHB
15. Tairāwhiti DHB
16. Taranaki DHB
17. Waikato DHB

18. Wairarapa DHB
19. Waitemata DHB
20. Wanganui DHB
21. West Coast DHB.

Population-based funding

In the year ended June 2003, DHBs were funded on the basis of contracts with health providers located in their area. As from 1 July 2003, DHBs have moved to funding based on the population living in their area.

The change to population-based funding from 1 July 2003 means that for DHB inter-district services (that is, when a person is required to move from their population DHB to another DHB for medical services) there will now be a transfer of funds from the funder arm of one DHB to the provider arm of another DHB.

Coverage

Information presented in this release measures the full range of DHB activities. It covers the direct provision of public hospital and health services, the purchase of publicly funded services from other health service providers (for example, private hospitals, general practitioners (GPs), home-based care providers) and the governance of DHBs.

In Tables 1 and 2, total DHB results are recorded net of transfers between provider, funder and governance arms of an individual DHB. This means revenue received by the funding arm, and passed on to the provider arm, is recorded as expenditure for the provider arm only.

Fund transfers for DHB inter-district services are not netted out in these statistics. The total funds received by the funder arm of the DHBs are recorded as Ministry of Health revenue. Funds received from another DHB are recorded as 'other funds from government'. Payments by the funder arm of the population DHB to the provider arm of other DHBs are recorded as 'direct medical supplies and all other expenses'. The costs of the treatment are recorded as expenses of the provider arm of the recipient DHB. The change to population-based funding has increased the level of both income and expenditure. The net surplus/deficit is not affected.

Data sources

From 31 March 2000, the statistics contained in this release have been sourced from the financial information provided by DHBs (formerly known as HHS providers) to the Ministry of Health.

Between 30 September 1997 and 31 March 2000, the statistics contained in this release were sourced from financial information provided by publicly funded HHS providers to the Crown Company Monitoring Advisory Unit.

Up until 30 September 1997, all 23 Crown Health Enterprises along with Crown Public Health were surveyed by Statistics New Zealand. Financial information relating to their income and the costs involved in providing health care services to individuals was collected. Data relating to their assets and liabilities was also collected.

The New Zealand Blood Service statistics were included in the statistics from the September 1998 quarter to the June 2003 quarter. The New Zealand Blood Service is an amalgamation of the blood donor services from the DHBs. The New Zealand Blood Service is excluded from this release from the September 2003 quarter onwards.

Definitions

All revenue and expenditure is stated exclusive of goods and services tax.

Ministry of Health revenue

This is the revenue received by the funder arm of each DHB from the Ministry of Health. The funding arm is then responsible for the allocation of this revenue to the governance and provider arms, and for the purchase of medical services from other health providers.

Other funding from government

This includes any other revenue received from government, such as Mason mental health monies, waiting time fund revenues and payments from other DHBs (DHB inter-district flows) from 1 July 2003.

Medical charges

Medical charges refers to any charge related to the provision of health services. They include money received for clinical training, public health, accident insurance revenue, user part-charges and private patient revenue.

All other income

All other income includes income from the renting and leasing of buildings and land, income from royalties and patent fees, pharmacy sales and other forms of operating income not elsewhere included. Also included is interest received.

Employee costs

Employee costs include:

- net earnings of all DHB employees
- severance and redundancy payments
- honoraria payments
- sickness and holiday pay
- levies paid to the Accident Compensation Corporation
- employer contributions to superannuation.

Capital charge

From 1 July 1998, HHS providers were required to pay a capital charge to the Crown, based on their equity. The intention of the capital charge was to make explicit the true costs of the taxpayers' investment by requiring recognition of those costs. This practice has continued with the DHBs.

The DHBs pay the capital charge to the Crown monthly, calculated at 11 percent of the month's balance of equity.

Direct medical supplies and all other expenses

Direct medical supplies includes:

- purchasing drugs and medicines, medical, surgical and optical supplies, radiology supplies, dressings and industrial chemicals
- cost of patient appliances and treatment services (such as prosthetics, X-rays, blood testing, scans, laboratory tests)
- cost of purchasing medical services (such as maternity services from private hospitals and general medical subsidies payable to GPs)
- payments from other DHBs (DHB inter-district flows) from 1 July 2003).

All other expenses include items such as: bad debts written off; business insurance premiums; fringe benefit tax paid; local authority rates; fees and levies; rents; grants and contributions to other organisations; general office expenses; maintenance and vehicle expenditure; and other supplies not directly medical.

Purchases of medical equipment that are treated as fixed assets are excluded.

Net non-operating items

These include gains and losses on items outside the normal course of DHBs' business, such as the sale of assets above or below book value, gains or losses on the revaluation of capital assets and infrequent transactions. Net non-operating items are distinct from ordinary operations. A positive figure means income is greater than expenditure.

Equity

Equity is equivalent to total taxpayers' funds shown in DHBs' annual accounts. It comprises mainly Crown equity, revaluation reserves and retained earnings.

Total debt

Total debt comprises current liabilities, long-term loans and other term liabilities.

Other current assets

Other current assets comprises current assets such as petty cash, bank accounts, prepayments, accounts receivable, and provision for doubtful debts. It excludes inventories and short-term investments, as these are recorded in other asset categories. Other current assets includes bank accounts net of bank overdrafts.

Seasonally adjusted series

The seasonally adjusted series are no longer available. With the change in coverage to include all functions of DHBs from the June 2002 financial year, the series are not yet long enough to determine seasonal patterns. This will be reviewed as more data becomes available.

More information

For more information, follow the [link](#) from the Technical notes of this release on the Statistics New Zealand website.

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Timing

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics NZ. Statistics NZ accepts no responsibility for any such delays.

Next release

Future *District Health Board Financial Statistics* can be viewed at

www.moh.govt.nz/dhbf

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Tables

The following tables can be downloaded from the Statistics New Zealand website in Excel 97 format. If you do not have access to Excel 97 or higher, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

List of tables

1. District health board financial statistics, summary operating statement: revenue, expenditure and results
2. District health board financial statistics, operating statement: expenditure
3. District health board financial statistics, statement of financial position: equity and liabilities
4. District health board financial statistics, statement of financial position: assets