

14 February 2008

Mr Stephen McKernan  
Director-General of Health  
P O Box 5013  
WELLINGTON

Dear Mr McKernan

Re : Tendering Arrangements - Community Pathology:

Your letter of 22 November referred to the tendering arrangements for community pathology.

The College does not agree with the assessment outlined in this letter. We believe that the tendering process has had, and continues to have a serious negative impact on the quality and cost-effective provision of pathology services throughout New Zealand.

The inability to plan beyond the end of the very short contract periods inhibits both medium and long term investment in infrastructure, training, and development. These factors are essential to protect and advance the value and reliability of the service to patients. Without a much higher level of certainty in the pathology sector, long term health care planning for dependent clinical services is impossible.

To summarise some of the main points:

1. The significant variation in DHB contracts and per capita funding has already resulted in inequitable patient access to pathology services.
2. Ad hoc and inconsistent charging of private patients, and for “wellness testing”, is distorting the normal clinician / patient and clinician / pathologist relationships.
3. The contracts require pathologists to act as the gate-keepers to restrict pathology testing, which brings them into direct conflict with the clinician who has prime responsibility for the patient’s care. The decision by a pathologist to restrict or refuse to provide tests, based on a very limited understanding of the patient’s condition, has high risks and is probably not ethical. The very nature of these DHB imposed contracts is such that they will inevitably cause adverse patient incidents, for which the DHBs (or Ministry) must take some responsibility.

4. The low per capita funding and increasing compliance costs has threatened the viability of some community laboratories. Should they be unable to fulfil their contract because of unreasonable financial restrictions and costs, then the DHB is at risk of losing their community pathology provider. It is unlikely that an alternative provider will have the capacity to fill such a gap in the short or medium term.
5. The impact of the changes have been such that experienced pathologists, scientific and technical staff have been permanently lost to the service; through redundancy, early retirement, and migration (of particularly younger pathologists). The reputation of the community pathology sector overseas, inhibits pathologists from applying for the increasing number of vacancies. This trend cannot be easily stopped, or reversed.
6. The ongoing compliance costs and the predicted costs of re-tendering are diverting health funds away from patient care.

**Actions required:**

1. Consistent national per capita costs should be agreed upon to ensure equitable patient access, and that the community pathology service remains viable for all DHBs.
2. Consistent national guidelines should be established for cost-effective and relevant pathology testing, based on best evidence and expert opinion.
3. Stability in this sector is essential for long term health sector planning. The term of the contracts should be consistent, and long enough to encourage investment in infrastructure, training, and development.

It is clear that our concerns over the present and future of Pathology in New Zealand remain unaddressed. As a College we will continue to try and engage the New Zealand health system in a constructive manner, the aim being to work towards a high quality, cost effective and sustainable Pathology service for New Zealanders.

In order to do this, the College has requested an improved mechanism of consultation. Over the past 18 months the College has communicated with a number of groups that both the Ministry and the previous Minister of Health have suggested. The College believes that planning in this area requires that all factors be considered.

The College's concern is that the recent changes affect the medium to long term quality and viability of Pathology services in New Zealand, and these changes were made without any consultation with the College or its fellows.

The RCPA is the peak body for Pathologists in Australasia and has significant experience and expertise. The College again invites the Ministry to take up our offer of a meaningful partnership in going forward. The College has previously suggested that this should be through the creation of a high level advisory group involving all stakeholders. We will write to Dr Pat Tuohy regarding these concerns and our suggestions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Steele', written in a cursive style.

Dr Richard Steele  
Vice-President for New Zealand  
The Royal College of Pathologists of Australasia