



Summary of our report

Inquiry into Health Benefits Limited

In November 2014, Hon Annette King asked us to look into the performance of Health Benefits Limited (HBL), the decision to wind the entity down, what HBL had cost the health sector, and the benefits it had achieved.

We decided to look into the costs and benefits of HBL's work and, where possible, identify lessons that might benefit HBL's successor and other shared-services programmes. Our work also looked at:

- how HBL managed relationships with health sector entities;
- the approach and processes that HBL used in business cases; and
- the governance and management arrangements for delivering HBL's programmes.

HBL's main role was to prepare national programmes in partnership with the health sector to reduce finance, procurement, and supply chain costs for district health boards (DHBs). Together with the health sector, it was tasked to achieve gross savings of \$700 million over the five-year period to 30 June 2016.

The Finance, Procurement and Supply Chain (FPSC) programme, the most significant piece of work that HBL led, aimed to provide a common financial management system, centralised procurement, and more efficient supply chains for DHBs. The FPSC programme was forecast to provide gross benefits of \$503.3 million over five years. By 31 March 2015, the FPSC programme had spent \$80 million of a revised budget of \$92.1 million and was not yet complete.

Difficulties led to the programme being largely paused in March 2014 and replanned with a later delivery date and changed scope. Several factors contributed to these difficulties:

- the programme was ambitious and complex, with many risks;
- HBL's communication with DHBs was inadequate;
- HBL's board lacked timely and accurate information;
- HBL had no programme management office or similar function responsible for maintaining project management discipline; and
- although DHBs approved the FPSC business case, some DHBs' commitment to the programme appears to have been limited.

Lessons for public entities

1. **Ensure that programme governance and management are effective.** Weaknesses in programme governance and management contributed to the inadequate and over-optimistic assessment of the position of programmes. Effective programme governance and

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management are both essential to keeping a programme on track. They enable a quick response, including making difficult decisions when projects are not going well.

2. **Establish a clear and efficient decision-making process, particularly when delivering multi-entity programmes.** HBL relied on existing structures to communicate with DHBs and to obtain decisions from them. Having separate forums could have led to faster decisions and reduced delays. Governance boards need good information before making significant decisions and must be confident that they have enough information before deciding to proceed with a programme. They need to provide full support, including senior participation and monitoring.
3. **Integrate design and planning.** FPSC work streams managed their plans independently, while co-ordinating with other work streams. There should have been more focus on having one integrated plan that identified critical paths and dependencies. This would have facilitated making decisions when milestones were under threat and trade-offs between timeliness, costs, and benefits had to be considered.
4. **Adhere strictly to project control standards.** Small slippages were accepted and accommodated in HBL's plans, but eventually the co-ordination between parallel work streams could not be sustained and milestones were not achieved. Having a project management office operating effectively, and including more, smaller milestones and confidence points in the plan to enable closer monitoring of the programme, could have addressed this.
5. **Do not underestimate the scale of change management effort required to effect sector-wide initiatives.** Programmes such as the FPSC programme have a significant technology component, but their success depends on how well the changes individual entities need to make are understood and embraced. This starts with planning and continues throughout the programme.
6. **Allow enough time and emphasis for recruitment.** HBL did not have key resources in some work streams in place early enough.
7. **Have trained staff in place and ready when starting a change programme.** All parties in the HBL-led change programmes needed to have staff in place with the capability to engage with the programme. Some of the DHB staff involved with the programme did not have enough authority to fully engage at key points.
8. **Ensure that communication between parties is open and two way.** Any change programme will struggle to achieve its objectives if the parties do not have access to timely and reliable information. Setting up channels early on for communicating with the appropriate audience for the message to be conveyed is essential.
9. **Ensure that sector solutions are scalable.** Systems being applied across a sector need to be able to be scaled up or down to meet the needs of different entities. Smaller DHBs are unlikely to need the full range of functions that enterprise systems provide. Solutions should deliver benefits for larger entities with more demanding requirements.
10. **Consider fully all tools, including legislative powers, available to achieve successful results.** An option that was available but not requested was for the Minister to exercise powers in the Public Health and Disability Act 2000 to direct DHBs. For example, section 33A provides for the Minister to give directions about administrative, support, and procurement services. This could have resolved situations where HBL had reached an impasse with DHBs.