



**Office of Hon Pete Hodgson**  
**MP for Dunedin North**  
Minister of Health

**25 MAY 2007**

Associate Professor Phil Bagshaw  
Chair  
Council of Medical Colleges in New Zealand  
PO Box 10028  
WELLINGTON

Dear Associate Professor Bagshaw

Thank you for your letter of 13 March 2007 regarding points raised at the Council of Medical Colleges in New Zealand's (the Council's) December 2006 meeting about District Health Boards' (DHBs') tendering processes for laboratory contracts.

In general, DHBs are given the freedom to determine how services, (including laboratory services) are provided in their respective areas, so long as national service cover levels are maintained and Operating Policy Framework (OPF) guidelines are followed. It is an important part of the DHB model that DHBs are empowered to make such decisions at a local level; they are better placed to determine how their needs can be appropriately met.

Laboratory service contracts are typically commercial in nature and how those contracts operate are matters for the DHB and the service provider concerned. Individuals or organisations concerned about aspects of DHB contracting processes should approach the relevant DHBs with their concerns. I would invite clinical staff with any uncertainties about their specific working circumstances to take these up directly with their employer, be it a DHB or a private laboratory provider.

I would debate your statement that "quality is becoming less important and costs increasingly important". Costs are important, insofar as there is a limited pool of health dollars and an obligation to spend these dollars in the most effective way. I expect, however, that all DHBs will have good quality services in place, which comply with service coverage requirements, thus contributing to the health and well-being of their resident populations.

The OPF, referred to above, along with other accountability documents such as the Service Coverage Schedule, already provide a framework to which DHBs must

adhere when considering the services they provide or fund. Clinical expertise is sought from clinical advisors within the Ministry when changes are made to these documents.

At a national level, the Ministry is working towards having health need, service provision, capital investment and workforce planning interlinked in a logical way. The Director-General has previously met with other representative bodies to outline this work. I know he would be willing to meet with either yourself or the Council to further discuss this work.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Pete Hodgson', written over a horizontal line.

Hon Pete Hodgson  
MINISTER OF HEALTH