

WHARE ORA MATERNITY

Never had a Chance

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Forrest

Whare Ora Maternity never had a chance: a study of Hunterville's fight for its Maternity Hospital



*Whare-Ora Hospital
Hunterville 1988*

B. Peed

A study of Hunterville's fight for its Maternity Hospital,

For the 1990 New Zealand Rural Leadership Course

Gavin Forrest

Dedicated to the Memory of
MALCOLM DOUGLAS THOMSON

1927 - 23 December 1989

Whose Contribution to Hunterville
is Missed but not Forgotten

**"Community Moral
is not inconsistent with
Community Health"**

AUTHORS INTRODUCTION

As I was one of the Hunterville people deeply involved in the 1989 battle to save Whare Ora I have endeavoured as much as possible to present this report from an unbiased point of view.

I collected all the Society's official information compiling many boxes of letters and official minutes. I also applied to the Area Health Board, under the Official Information Act for all their information on Whare Ora. The Board was most helpful and cooperative in this respect and allowed me to spend as much time as I wished studying their substantial file on Whare Ora.

On 8 August 1989 I requested from the Health Department, under the Official Information Act, pertinent information with respect to the role that the Minister of Health and the Health Department played in the 1989 battle and at the time of writing this report the release of this information is still "awaiting approval".

A considerable effort was made to gather as much of the newspaper articles on Whare Ora over the last 15 years and these are available in a separately prepared "Whare Ora: the newspaper account" and the information contained in these articles has been used as a resource for this study.

All the relevant information from the Society, the Board and the newspapers has been compiled into chronological order in a resource document "Whare Ora: A Detailed History".

In my correspondence with the Board and the Health Department I made it clear that my study was as a matter of historical record and that any information would not be used against the Board in any way. The aim of this study is to promote discussion about the present structure, financial capabilities and accountability of area health boards and to consider if changes for the future are necessary in the light of the Whare Ora example.

Although I am now a member of the Society's Committee of Management this study has been done solely as an individual and any opinions or conclusions made are the solely mine and do not necessarily concur or differ with those of the Society.

PREFACE

Fundamentally this report is a study of Hunterville's Whare Ora Maternity Hospital and its battle for survival over 40 years.

Over that period the Wanganui Hospital Board, and latterly the Wanganui Area Health Board, were unrelenting in their efforts to close the tiny hospital down and their fervour to do so was only matched by the Hunterville community's effort and determination to prevent the Board from achieving their aim.

To an outsider a community that fought to save a hospital that delivered only 21 babies in 1988/89 was simply living in the past and was extremely fortunate to have survived so long.

However, there were aspects of the battle for Whare Ora that are relevant to many other, much larger, rural and suburban peripheral hospitals. Out of the final battle for Whare Ora in 1989 there arise some very important questions of accountability and democracy that have wide reaching implications for the whole Health sector, as Board's grapple with restricted funding and increased powers and responsibilities.

In October 1989 the transition of Hospital Boards to Area Health Boards was completed and with this a new system of accountability exists. Now that Boards are responsible for managing their own affairs the question that emerges from the 1989 battle for Whare Ora is - Who are Area Health Boards responsible to?

One unchanging feature of Whare Ora's history is that every time a report or study (that included Whare Ora) was made by Wanganui Board personnel Whare Ora's closure was recommended. However every report/study by professionals from "outside" recommended that Whare Ora should remain open.

Thus in 1989, when the Board had the power to close down institutions without reference to the Minister of Health, the closure of Whare Ora would appear to have been a forgone conclusion. However, when the Board finally did close Whare Ora, in doing so, it went back on its own resolution to fund the hospital for a minimum of 5 years, and used grossly inaccurate information in justifying it's decision.

This study does not claim that the Board's arguments and reasons for seeking the closure of Whare Ora maternity were not without significant merit.

However the significant aspect of the community's battle in 1989 is that the board was effectively not accountable to anyone once they had made their decision. Despite the Hunterville community's ability to place considerable doubt on the soundness of the Board decision all the communities efforts to have the decision reconsidered failed.

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SECTION A

Setting the scene

Chapter 1

WHARE ORA: A Brief Description.

Whare Ora was both a maternity hospital and a non-profit society.

1.1 The Hospital.

In 1934 the Whare Ora building was bought by Sir Thomas Duncan and operated as a general surgical, maternity and geriatric hospital.

In 1946 the Health Department forced its closure as a private hospital, stipulating that it's rooms had to be increased in size (by at least 6" x 4"). The then owner, Mrs Grace, very reluctantly sold the building to the Wanganui Hospital Board who immediately reopened it and never changed the size of the rooms.

The building operated as a public maternity hospital until 1977. In 1977 it operated under a private hospital licence, as a 5 bed maternity hospital, with funding from the Wanganui Hospital Board and some Health Department funding.

In order to meet the new regulations that applied to the building, now that the hospital operated under a private licence, the Board was required to spent considerable money (\$67,000) on the building - mainly in relation to the fire regulations.

Late in 1984 the hospitals licence changed - to a 3 bed maternity 2 bed frail ambulant hospital.

In 1989 the Wanganui Area Health Board withdrew Whare Ora funding and cancelled its private hospital licence - effective 30 September.

Presently the building is leased, at a peppercorn rental, to the Whare Ora Society and is used as category one rest home with the Manawatu/Wanganui Area Health renting back some rooms for the Board's community staff and ante-natal classes.

1.2 The Society.

In 1977 the Hunterville district residents formed the "Whare Ora Hospital Society Incorporated" with the aim of running the Whare Ora Hospital after it was saved from the Board's 1976 attempt to close the hospital.

The Society obtained staff (midwives from England and Foxton) to enable the hospital to reopen and eventually ran the day to day affairs of the hospital under a private hospital licence and an annual Board budget.

As well as fending off repeated attempts by the Board to close the hospital the Society expanded it's services.

As mentioned above it introduced frail ambulant care in an effort to increase the utilisation of the hospital.

Since its inception the Society and the people of Hunterville carried out extensive redecorating of the inside of the Building, made the necessary renovations for the frail ambulant beds, and carried out considerable work on the hospitals grounds and storm water system. Also furniture and appliances were acquired for the hospital - most of these contributions were without the financial assistance of the Board.

Also in 1985 the Society built 3 pensioner units on the Board's grounds in front of the hospital and then built 3 more in 1986 on ground purchased by the Society opposite the hospital.

The Society purchased/acquired two houses to accommodate their midwives and land on which 3 more pensioner units are planned.

In early 1990 the Society obtained a category I rest home licence for up to 5 residents. The Society leases the building at a peppercorn rental from the Board. The Board uses some of the hospitals rooms as a base for their community resource nurse, community midwife and district nurses, and for ante natal classes paying a rental based on a proportion of the power and rates.

The Society has also set up a "Family Support Unit" to cater for any mothers needing motel type care before or after giving birth and for any convalescent care required.

Chapter 2

WHARE ORA: A Brief History

[For more detailed information see Appendix 1]

2.1 THE EARLY YEARS

- 1924 Whare Ora building built and used as a home for the aged.
- 1934 Whare Ora building bought by a local person and operated as a general private hospital.
- 1946 Whare Ora hospital forceable closed by the Health Department and reluctantly sold to the Wanganui Hospital Board.
- 1958 1st Closure Attempt Due to shortage of staff - averted when local MP assisted with finding staff.
- 1966 2nd Closure Attempt Staffing difficulties
Closed for 10 weeks
- 1969 3rd Closure Attempt Shortage of Staff
- 1975 4th Closure Attempt Staffing difficulties
Closed for 4 weeks

2.2 THE FIRST MAJOR FIGHT: 1975- 1977

May 1976 5th Closure Attempt

The Wanganui Hospital Board resolved to close Whare Ora for up to 6 months and applied to the Minister of Health for permanent Closure.

Birth of the Save Whare Ora Committee
Committee formed from people of Hunterville and district.

October 1977 Whare Ora Hospital Society Incorporated Formed

Society formed by people of Hunterville to run the hospital under a private hospital licence and with Board funding.

November 1977 Whare Ora Reopens

After sending a 2 person committee to study Whare Ora the Hospitals Advisory Council (HAC) recommended Whare Ora reopen. Whare Ora reopens after Hunterville obtains necessary staff.

April 1978 Staffing difficulties
Board demands that the Society change its staffing arrangements. Matter finally left in abeyance by the Board.

September 1978 6th Closure Attempt - due to High Cost.

Averted when Whare Ora staff refused to work elsewhere and the Board's other peripheral hospitals were shown to be illegally staffed.

2.2 THE SECOND MAJOR FIGHT 1979

May 1979 7th Closure Attempt - due to Cost

Board resolved to close Whare Ora (and Abbotsfords Hospitals) as it was required to cut its expenditure by 1%.

August 1979 Whare Ora reprieved - by Minister of Health.

HAC once again recommends Whare Ora should remain open.

2.4 THE THIRD MAJOR FIGHT: 1984

8th Closure Attempt

Board's 1984 "Obstetric Service Plan - First Draft" recommends the closure of Whare Ora and abbotsfords hospitals.

November 1984 Frail Ambulants at Whare Ora

March 1985 HAC 3 person committee visits Whare Ora

May 1985 Society's first three Pensioner units opened

August 1985 9th Closure Attempt

Medical Officer of Health threatened closure as "acting manager not qualified in all respects" - averted by Society's efforts.

August 1985 HAC Recommendation

Council recommends that Abbotsford (Waverley) hospital closes but defers a decision on Whare Ora due to a "number of concerns."

October 1985 Wanganui Area Health Board Formed

September 1985 Same HAC Committee meets with Society and Board

December 1986 Society opens 3 more Pensioner units

November 1987 10th Closure Attempt

Board released "Strategic Plan: Draft for discussion." in which the closure of Whare Ora is recommended.

November 1987 Society obtains midwife from England

March 1988 HAC Recommendation

The Council recommended Whare Ora remain open but reminded the Board since it was now an area health board that the Minister of Health's permission was no longer required.

The Council suggested that one way around the funding difficulties was for the board to:

"fund up to the average cost of births at other Board institutions with the community making up the difference."

2.5 WHARE ORA OBTAINS REPRIEVE: 1988

22 March 1988 Board gives Whare Ora a Reprieve
Board resolves to fund Whare Ora on basis of HAC recommendation.

October 1988 Huntermville Community Health Watch Committee formed

January 1989 Society's projected Whare Ora funding \$50,000

April 1989 Society produces Huntermville Strategic Health Plan

2.6 THE FINAL FIGHT 1989

June 1989 11th Closure Attempt
Board resolves to discontinue Whare Ora's maternity funding and introduce "community based services."

June 1989 Board Chairman "walks out of Huntermville meeting"

August 1989 Whare Ora Protest Rally

30 September 1989 Whare Ora Maternity ceases

14 December 1989 Society/Board High court hearing - Wellington
The Society's application for interim relief heard.

2.7 THE BATTLE IS FINALLY LOST

21 December 1989 High Court Judgement

Society fails to obtain "interim relief."

2.8 The Epilogue 1990

Board seeks for court costs

Board requests court costs in an out of court settlement - matter resolved at minimal cost to the Society.

Chapter 3

THE ARGUMENTS FOR and AGAINST CLOSURE

3.1 Relevance of the opposing arguments

One indisputable and vital fact that must always be kept in mind when considering the relative merits of the Board's and the Society's arguments is:-

The Board and Society put all their arguments before an expert, non political, unbiased body (the Hospitals Advisory Council) on 3 occasions and every time the Council recommended that Whare Ora remain open.

The last recommendation of the Council was only just over a year old, when in June 1989 the Board decided to close down Whare Ora.

In March 1988 the Board voluntarily accepted the Council's recommendation, so therefore none of the reasons that the Board had put before the Council could be considered relevant in the Board's 1989 decision to renege on its 1988 resolution.

The following two factors were stated by the Board Chairman immediately before she moved a resolution to cease funding Whare Ora's maternity services.

- 1. The financial climate**
- 2. The Board's detailed information**

Thus, although this study briefly details the arguments for and against closure, the above two factors are the vital ones when considering the Board's June 1989 decision.

A consideration of the Board's and Society's arguments is important illustrates the continued difficulties that have been experienced in the running of Whare Ora and shows that some of the Board's reasons were based on incorrect information and bias and that some of the Society's reasons were outside the Board's area of responsibility.

3.2 The Board's reasons for closure (with HAC and Whare Ora responses)

The main thrust of the Board's argument is summed up in their following statement:

"Facing the realities of the situation in which the use of a high cost service has fallen to a level where it is severely underutilised and whereas there is no evidence that the level of utilisation will markedly improve in the future. The Obstetric Service Review Committee considers the funds used in this limited service should be reallocated to give a better overall medical service."

[1984]

1. Staffing difficulties.

Since 1976, when the Society took over the responsibility of obtaining Whare Ora's staff from the Board, staffing difficulties have not been cited as a reason to close Whare Ora.

This does not mean that obtaining staff was easy. Rather it reflects the Society's absolute dedication to staffing Whare Ora - they obtained a midwife from England on two separate occasions.

The 1958, 1966, 1969 and 1976 closure attempts were sought by the Board due to the difficulties of obtaining staff.

In 1976 there was a New Zealand wide shortage of Midwives, and the Board was unable to obtain midwives for Whare Ora and for some of its other peripheral Hospitals.

In the Boards submission to the HAC in 1985 the claim was made that Whare Ora was illegally staffed and needed a greatly increased budget to satisfy legal staffing requirements.

HAC response: In its 1986 report the Council discounted this requirement as not being necessary, saying that Whare Ora was adequately staffed.

2. Cost - an expensive service.

The cost per birth at Whare Ora has consistently been a major component in the Board's arguments.

Over the years the Society made a great contribution to keeping the costs down with private input from the community and with flexible staff arrangements.

Consequently the Boards budget for Whare Ora increased from \$88,000 in 1977/78 to only \$98,000 by 1984/85 and to \$170,000 by 1988/89. These increases were significantly below the rate of inflation.

Also the Society consistently ran under budget - by \$22,000 in 1977/78, \$11,000 in the 1984/85, and by \$12,000 in 1988/89.

3. Low birth rate - with no evidence of increase in the future.
4. An under-utilised low occupancy unit.
5. Alternative facilities close by - 28 km away at Marton.
6. The Board's over provision of obstetric beds.

The Board has consistently used this factor as reason to seek the closure of Whare Ora.

It was identified in the Boards 1984 Obstetric Service Plan that in terms of Health Department guidelines the Board was overbedded by 42 beds. (Had total of 79 obstetric beds)

HAC Response: 1984 Council report stated that there "there is scope for a further reduction in maternity beds at the Base Hospital and that such a reduction would offset the cost of funding Whare Ora.

In the Board's 1987 "Strategic Plan" it was shown that the Board still had an over provision of maternity beds. There had been only a reduction of 10 (only 1 of those in Wanganui) since 1984 and one main reason given by the Board was "the absence of ministerial consent to stop funding the Whare Ora maternity unit at Hunterville"

7. The Building.

The Board's continued unwillingness to fund Whare Ora has meant that, at times, the building suffered from lack of maintenance. Also to the understandable frustration of the Board, a significant amount of money had to be spent on the building in 1976 (Fire regulations) solely because the hospital's licence had changed. (public to private)

1976

Board Member said that the "Whare Ora building is shot - there is no getting away from it, this building has come to the end of the road - we can't afford to have it."

Professional Report: Less than a year later a report by a private firm (commissioned by the Board) on the building stated that "the building is generally quite sound and provided routine maintenance is carried out should last for some considerable time.

September 1989

Minister of Health's Executive Secretary stated that Maternity services at Hunterville would cease because the hospital did not come up to scratch, that it had received funding in the past even though not up to standard and that it needed extra facilities. She also stated that if funding continued it would require considerable capital outlay.

None of these statements were true and were not used by the Board in its 1 June 1989 decision to close Whare Ora.

8. The experience of the Staff and Doctor.

The Board consistently stated that the number of births were not sufficient to maintain the expertise of the midwives and GP.

However an analysis of the number of GPs in other towns in the Board's area showed that they had a lower number of births per Doctor than Hunterville's GP.

The HAC in its 1985 report, expressed concern at the continuing professional experience of the midwives at Whare Ora and recommended that the staff undertake regular post-graduate training and suggested that they spend a period of time each year at a base obstetric unit in order to boost the number of delivers.

9. The Safety of Mother and Child.

It is automatically assumed by many "experts" that large city obstetric units are the safest place to have a baby because of the number of deliveries they perform and because of the equipment available. However this is purely an assumption and it is not based on fact.

The following views of the Board's Obstetrician/Gynaecologist reflects this thinking.

"The crude statistics of perinatal mortality, volume of obstetric equipment, and the number of obstetricians makes National Women's Hospital the only safe place for delivery in this country."
(1976)

"In a unit doing 50 births a year it would take 20 years to have 1000 deliveries and show a difference in standards unless the unit is appallingly bad." (1984)

"The benefit of delivery in a small unit near the parent's home has to be balanced against the higher risk to both mother and child in peripheral hospitals." (1982)

Two papers on the Safety of Rural Units

A) A Comparison between a Rural Maternity Unit and a Central Obstetric Unit

This paper was submitted to the Board's "Obstetric Service Plan - First Draft".

A comparison was made between 79 patients in a central obstetric unit and 66 patients in a rural unit and it was found that there were obvious advantages of the rural unit. This study showed that there was a lower use of forceps and drugs and less need for perineal stitches in the rural unit.

All the rural hospital's patients were included, regardless of where they actually delivered. The base statistics only included patients from inside the geographic area usually served by the base maternity unit.

This was done to make the comparison as relevant as possible.

The response of the Board's Obstetric Review Committee Chairman was to completely rubbish the study, stating it was "almost totally useless as she failed to find a comparison control group at the Base hospital."

B) Dr Tilyard Research paper

(as reported in Dominion Article - May 1989)

Dr Tilyard stated that

"Healthy women should be allowed to have their babies without unnecessary medical intervention and in a local maternity hospital."

His research showed that the deliver record of rural Doctors was better than their city counterparts. He found that rural doctors ended up with fewer sick mothers and babies on their hands, and lower incidence of interference and complications.

He stated that his research showed that there was no relationship between the number of babies a doctor delivered and his or her competence.

"Many hospitals are being closed on the grounds they are not as safe as bigger hospitals, yet there is no evidences of this. In fact they are being closed on economic grounds."

Hospitals Advisory Council Comments

The 1986 HAC report stated that

"on balance, the council considers that the standard of obstetric service provided at Whare Ora Hospital is above average and that the closure of the hospital cannot be justified on clinical grounds."

3.3 The Community's case against closure

The people of Hunterville have fought hard and long for Whare Ora because of belief in their fundamental right to have reasonable access to health services.

They claimed that the long term survival of their community depended on the retention of birthing facilities in Hunterville as this ensured the retention of their General Practitioner and Chemist.

Hunterville people have made significant contributions of time and money over the years to keep Whare Ora maternity costs to a minimum, as well as strenuous efforts to expand the use of Whare Ora in an effort to increase the utilisation of staff.

1. Viability of Hunterville's Health Services

Whare Ora is the cornerstone of health services in the Hunterville area and its closure would threaten the viability of our GP and Chemist.

Whare Ora acts as a backup to our GP

Board's response: it is not in the Board's brief to subsidise or employ private practitioners who are not working for the Board. (This was in 1984 when the Board was a hospital board - but there has been little change in attitude since the formation of the Area Health Board.

2. Viability of Hunterville

Whare Ora and Hunterville's survival are intertwined.

"The expense of keeping Whare Ora open is insignificant compared with maintaining stability in a rich farming area from which much overseas earnings come.

Board's response "unfortunately those who gain the dollars from the rich farming area do not give the Hospital Board extra money to keep uneconomic units open.

Hunterville's reference to their "rich" farming area presumably referred to the fertility of the soil but it appears that this may have been interpreted by the Board as applying to the people.

3. Expanded use of Whare Ora

Huntermville would like to have a broad based medical centre based at Whare Ora and would like to see the Obstetric regulations revised to allow for greater use of small hospitals.

At various times efforts have been made to introduce "swing beds", "community beds" etc.

The Society in 1984 obtained Health Department approval for 2 frail ambulant beds and subsequently reduced its maternity beds from 5 to 3 in an effort to both reduce the Board's number of maternity beds and increase the utilisation of Whare Ora.

4. Financial accountability

The Society has consistently operated well under budget and the staff and Society are looking at ways to save money.

5. Misleading statistics

The birth statistics are misleading as they only include the births at Whare Ora and do not take into account of the births at Base that returned to Whare Ora.

The Society suggested that if patient days were included in the statistics a more accurate picture would emerge. These were included in the Boards 1988/89 presentations but were given very little emphasis.

6. Distance to next hospital

The Society claimed it was misleading to quote the extra distance from Whare Ora to the Marton Hospital as some people were up to an hour from Huntermville.

There was a fundamental weakness in this argument as Huntermville is surrounded by the communities of Taihape, Feilding, Wanganui and Marton and thus many people were just as close to another maternity hospital as they were to Whare Ora. Thus with Whare Ora closed no one in the Huntermville area is further than 50 minutes from a maternity hospital. What the closure of Whare Ora may in fact do is take the outer shell away from the Huntermville community as people who would prefer to have Huntermville as their community are forced to go elsewhere for health care.

Also over the last 15 years the standard of roads in the Huntermville district has improved considerably, meaning that access to many services has also improved.

3.4 Summary

The relative importance of all the Board's and the Society's arguments could be argued ad infinitum.

The single fact remains - the only legitimate grounds that the Board had in 1989 for seeking the closure of Whare Ora was COST.

All the Board's grounds are either a function of Cost or Safety. The HAC had clearly stated that Safety was not a problem at Whare Ora.

In its 1988 recommendation the Council mentioned two concerns:

1. **The Maintenance of Practical Experience for the Midwives**
2. **The Cost**

Experience of Midwives

The Councils solution was for the midwives to undergo regular inservice training at another hospital and for the Board to fund Whare Ora at the average cost of births at other board institutions, with the community making up the difference.

Cost

The Board had the option in 1988, since it was an area health board, to ignore the Councils recommendation. The Board, however, choose to adopt the Councils recommendations with the changes that the average birth cost would be for its rural hospitals and that the continued funding was dependant on Hunterville's GP staying.

In 1989 the Board achieved its long term aim to close Whare Ora and the determining factor was that their was no longer an effective avenue of appeal available to the Hunterville community.

From the Board's perspective, they were now free to make their own decisions without the interference of outsiders. In the past, they were restricted by the directives of the Hospitals Advisory Council and the Minister as they wrestled with the task of providing health services from a finite, and at times contracting Budget.

SECTION B

The Board's 1 June Decision

Chapter 4

THE CONTEXT

During the 15 months between March 1988 and June 1989 the Board moved away from its resolution to continue providing inpatient maternity services at Whare Ora and resolved in June 1989 to discontinue Whare Ora's maternity funding and to provide a range of "community based" services. This move was against the clearly expressed wishes of both the Society and the Hunterville Community Health Watch Committee.

4.1 Hospitals Advisory Council Report

As detailed in Appendix 1 the Council recommended that Whare Ora remain open.

The HAC investigating committee clearly saw that the attitude of the Board had been a significant barrier to the Society's progress. The committee believed that if the Board didn't attempt to close Whare Ora Hospital for a considerable period of time then the Society would be able make significant progress. The clear intention of the Councils recommendation was to **Guarantee** the funding of Whare Ora (at the average cost of births) for a **minimum** of 5 years.

Addendum to HAC Report:

"The investigating committee believes that the Hunterville community should be encouraged through the mechanism of the local community health watch committee to continue to develop more health services based on Whare Ora Hospital."

"The investigating committee further believes that the future of Whare Ora Hospital should be made secure by the Society for a considerable period of time so that the society has sufficient time in which to plan and implement future developments."

"Whare Ora has been under threat of closure for a long time and this has understandably affected relationships between the Board and the Society. The communication barrier which has arisen between the Board and the hospital as a result of this conflict will need to be removed to ensure that there is productive cooperation in the future."

4.2 Board's 22 March Resolution

The Board agreed to accept the HAC recommendation and moved to fund Whare Ora for a period of 5 years or until Dr Thomson left, whatever was the sooner and the funding to be based on the average cost of rural births (at the Board's other rural hospitals). Discussions were to be held and the new funding basis would be implemented in March 1989.

The reliance on Dr Thomson staying was later changed so that if a GP with similar skills and enthusiasm replaced him then the arrangement would be re-evaluated.

Assurances of the Board Chairman

At a meeting on 8 June the Board Chairman stated

"that the 5 year term for Whare Ora hospital could be a safeguard for the hospital especially in the light of the possible actions following the Gibbs' report"

4.3 Negotiations during 1988/89

During 1988/89 Board Management stated that the proposed funding for Whare Ora which was approximately \$50,000.

The Society questioned the accuracy of the Board's calculation.

Faced with the proposed funding of \$50,000 the Society approached the situation from a different angle to include "other services" in a Strategic Plan. In this the Society proposed to, contract these wider services at a total cost of \$145,000 allowing \$50,000 for in-patient maternity services.

Board's view of why funding basis changed

"the Whare Ora Society were initially happy with the resolution. But subsequently when faced with the financial reality that the resolution brought, they sought other means of survival. They tabled a Strategic Plan for the Board which the Board's management had some difficulty over, when the aspects of safety were examined.

Chapter 5

THE 1 JUNE BOARD MEETING

[For Full Details See Appendix 2 - Board Agenda]

The Board resolved to withdraw Whare Ora's maternity funding and licence and provide certain community based services, to take effect 30 September 1989.

Although Board Management reiterated all the Board's past reasons for seeking closure only two factors were important:

- A. The financial climate
- B. The Detailed Information provided

These were the reasons given by the Board Chairman immediately before she moved to rescind its March 1988 resolution.

Board Management stated that none of the reasons for suggesting Whare Ora's closure, outlined in the Board's 1984 Obstetric Service Plan, had altered.

A. The financial climate

Although there is no doubt that the Board was under severe financial pressure, it is doubtful this was the fundamental reason it sought Whare Ora's closure. Rather this was used to give extra weight to a decision that the Board had already decided to make. The Board made exceptions in other areas of its funding decisions and changed its mind later that year on base hospital cuts. Also it is doubtful that the decision saved much money compared to implementing its 1988 resolution.

As with all Boards in 1989, the Wanganui Board's spending power had been cut by Central Government. (at least 10% in real terms)

The Board's spending was effectively out of control as they failed to keep within the required budget. It is significant that the Board continued to have significant problems with its spending well after Whare Ora closed. (Being \$2 million overspent out of a budget of \$64m)

On 1 June, Board Management stated that if the Board didn't make the decision to close Whare Ora and many more like it in the next few weeks they would be insolvent and at risk of being sacked as the Auckland Board had been.

B. The Detailed Information Provided

A vital component of the Board's 1989 decision was the detailed information provided, especially the financial information. This financial information contained significant errors. However, unlike in the past, the Board could not be called into account for these errors that when corrected meant that Whare Ora's funding would have been at least 47% higher than the proposed Board's level.

Chapter 6

THE BOARD'S DETAILED INFORMATION

Some of the crucial information on which the Board based its 1 June 1989 decision was incorrect and had a significant bearing on the outcome.

A. THE FINANCIAL INFORMATION

6.1 Average Cost of Rural Births

It can be proved that the Board's all important "Average Cost of Rural Births" figure (\$1816), as presented to the Board on 1 June 1989, was grossly inaccurate and at the very least contained an error in calculation to the order of 47%.

The Board's calculations were not accurate for the following reasons:

A. A Miscalculation - a error in Methodology

B. An Under-estimation

C. Many Costs not Included

6.1.1 Background

In December 1988, the Board's Management presented a "trial Whare Ora grant calculation" on the basis of the Board's March 1988 resolution. The Board's calculations were based on financial and statistical information for six months ended 30 September 1988.

On the 1 June 1989 a different proposed Whare Ora grant was presented to the Board as this was based on a whole year's information (to 31 March 1989). The method used was identical to that used in the earlier calculation.

As 4 of the 5 hospitals in question had both general and maternity facilities there was a need to first establish a cost of maternity for each hospital.

In the Board's Agenda for 1 June costings were given for maternity (Obstetric Service Cost) and cost per birth at each hospital, and the subsequent Total Maternity Cost and Average Cost of Rural Births.

6.1.2 Financial Information Details.

The following table is an aggregate table containing all the pertinent financial and statistical information contained in the Board's 1 June Agenda. [see Appendix 2 for full details]

AGGREGATE TABLE OF ALL RELEVANT INFORMATION IN THE BOARD 1 JUNE AGENDA

	Total Direct Hospital Costs (A)	Total (B)	Patient Days Cost (C)	Obstetric (D)	Obstetric Service Cost (E)	Births (F)	Cost per Birth (G)
Patea	\$1,758,346	÷ 12,588	= \$139.68	x 150	= \$20,953	÷ 19	= \$1,103
Taihape	\$1,222,515	÷ 8,625	= \$141.74	x 574	= \$81,359	÷ 40	= \$2,034
Waimarino	\$ 965,057	÷ 4,232	= \$228.04	x 692	= \$157,802	÷ 47	= \$3,357
Marton	\$ 596,326	÷ 2,724	= \$218.92	x 828	= \$181,262	÷ 84	= \$2,158
Waiouru	\$ 220,856	÷ 464	= \$475.98	x 464	= \$220,856	÷ 58	= \$3,808
TOTAL	\$4,763,100	÷ 28,633	=	x 2,708	= \$450,476	÷ 248	=
AVERAGE			\$166.35			=	\$1,816
Whare Ora	\$ 158,441	÷ 484	= \$327.36	x 293	= \$95,916	÷ 21	= \$4,567
					Away 14		

Source and explanation of Table

All figures taken from Board's 1 June Agenda

A. From Appendix C - Page 63

B - G. From Appendix C - Page 64

A. Total Direct Hospital Costs.

These are the "Total Costs" for each of the Board's 5 rural hospitals as shown at the bottom of Appendix C on Page 63 of the Board's Agenda - Titled "Statement of Direct Costs and Statistics for Rural Hospitals For Year ended 31 March"

B. Total Patient Days.

C. Cost per Patient Day.

Calculated by dividing Total Costs (A)
by Total Patient Days (B)

D. Obstetric Patient Days

E. Obstetric Service Cost.

Calculated by multiplying the cost per patient day (C)
the number of Obstetric Patient Days (D)

F. Births.

G. Cost per Birth.

Calculated by dividing the Obstetric Service Cost (E)
by the number of Births (F)

6.1.3 Board's Methodology

The problem facing the Board Management after the Board's March 1988 resolution was that it didn't know how much its rural births were costing and had little information available to calculate the average cost of rural births.

A method was therefore devised to estimate the total maternity cost (Obstetric Service Cost) for the 5 rural hospitals and the average cost of rural births and Whare ora's proposed grant were calculated from this.

The Board's explanation of their methodology was printed in a press release (20/9/89) and explained by the Board's Treasurer in his affidavit in the high court case. [Appendix 3]

Maternity costs at each hospital

As mentioned earlier, 4 of the 5 hospitals in question were both maternity and general/geriatric hospitals and thus some method had to be used to estimate the cost of maternity in each of these hospitals.

Patient days.

It was decided, on nursing advice, that it was a fair assumption that the average cost of a patient day in each hospital was similar for maternity and geriatric patients so the total costs of each hospitals were divided into general and maternity costs on the basis of the relevant proportions of patient days.

An estimated Obstetric Service Cost for each hospital was thus calculated.

For example: TAIHAPE

Total direct hospital costs	\$1,222,515
Total number patient days	8,625
Therefore: Cost per patient day	= \$141.74
No. of obstetric Patient days	574
Therefore: Cost of Obstetrics	= \$81,359
Number of births	40
Therefore: Cost per birth	= \$2,034

OR the maternity costs of Taihape were deemed to be 6.7% (574 divided by 8625) of the total direct costs.

Total cost of maternity for the 5 hospitals

The Board's Treasurer calculated the "Total Obstetric Service Cost" from the Grand Total of the individual hospital's Total Direct Costs (\$4,763,100) by way of the same logic and method that had been used to calculate the individual hospital "Obstetric Service Costs"

Thus the Grand total was divided by the total number of patient days to obtain an average cost per patient day which was then multiplied by the total number of obstetric patient days to obtain a Total Obstetric Service Cost of \$450,476.

$$\frac{\$4,763,100}{28,633} = \$166.35 \times 2,708 = \$450,476$$

Average cost of rural births

This Total Obstetric Service Cost was then divided by the number of births (248) to give an average cost of rural births of \$1,816.

$$\frac{\$450,476}{248} = \$1,816.435$$

Whare Ora Grant

Based on 21 Births and with 10% GST added Whare Ora's proposed grant was therefore:

$$\$1,816 \times 21 = \$38,145 \times 1.1 = \$41,960$$

6.1.4 Accuracy of Board's Financial Information

There are 3 main reasons why the Board's financial information was not accurate. There was an error in calculation, an under-estimation of each hospital's maternity costs and many costs were not included.

A. Miscalculation - an error in Methodology.

It is obvious to the trained eye that the average cost of rural births (1816) as presented in the Board 1 June Agenda is not an average of the individual hospital's cost per birth. Even more obvious is that the Total Maternity Cost (Obstetric Service Cost) is not the sum by addition of the individual maternity costs.

Board's error in logic

With each individual hospital it was reasonable to assume that the average cost per patient days could be regarded as both an average cost per Obstetric and per General Patient day. This however is not the case with regard to the average cost per patient day over all the 5 hospitals (the 166.35 figure). This costing cannot be called an average cost per Obstetric patient day for all the 5 hospitals as each hospital has significantly different proportions of obstetric to general patient days and costs per patient days. Thus 166.35 is clearly an average of the cost per general and obstetric patient days.

Board Management admit that if they knew what the actual obstetric costs of each hospital were then it would be logical to add them together yet they refuse to accept that it is logical to add their estimated Obstetric Service costs together in the same way. If nothing else reflects their complete lack of confidence in these figures.

By using this method the Board completely ignored the individual hospital calculations. By using this method it became irrelevant in which hospitals the births actually occurred. Where the births actually occurred had a significant bearing on the overall birth cost as the costs per patient day varied widely (from \$139.68 at Patea to \$475.98 at Waiouru.)

Correct Calculations [Further details - 6.6 and 6.7]

Clearly the aim of the Board's methodology was to establish the cost of maternity for each hospital. Thus once establishing these costs they should be added together to establish the total cost of maternity and then divided by the number of births to get the average cost of rural births.

The Total Obstetric Service Cost (by addition) is \$662,232, \$211,756 more than the Board's figure of \$450,476.

The resultant average birth cost is \$2,670 compared to the Board's \$1,816 figure.

TABLE SHOWING CORRECTED CALCULATIONS

	Cost per Patient Day		Obstetric Patient Days	=	Obstetric Service Cost	÷	Births	=	Cost per Birth
Patea	\$139.68	x	150	=	\$20,953	÷	19	=	\$1,103
Taihape	\$141.74	x	574	=	\$81,359	÷	40	=	\$2,034
Waimarino	\$228.04	x	692	=	\$157,802	÷	47	=	\$3,357
Marton	\$218.92	x	828	=	\$181,262	÷	84	=	\$2,158
Waiouru	\$475.98	x	464	=	\$220,856	÷	58	=	\$3,808
TOTAL AVERAGE	\$244.35	<=	2,708	÷	\$662,232	÷	248	=>	\$2,670

Now the calculated averages and totals fit the above data.

The average cost per birth figure falls above Patea's, Taihape's and Marton's costs (143 births) and below those at Waimarino and Waiouru (105 births) whereas the Board's figure of \$1,816 is only higher than the 19 births at Patea and below the alleged cost of the 229 births in the other 4 hospitals.

Also the same can be said for the \$244.35 average cost per Patient Day figures against the Board's \$166.35 costing.

B. An under-estimation of the actual maternity costs

In the above section the individual hospitals maternity costs were accepted as being accurate when in fact serious doubt can be placed on their accuracy as an estimate of the actual maternity costs - especially in relation to nursing costs.

Comparison with past Maternity Budgets

The Board's 1989 estimated maternity costs can be compared with those given in the Board's 1984 "Obstetric Service Plan" where individual maternity budgets and costs of minimum legal staffing are shown. By comparing these costs and the minimum legal staffing cost at 1989 wage levels, an indication of the accuracy of the Board's 1989 estimates can be obtained. [see table Pg 29]

TABLE OF COMPARATIVE MATERNITY COSTINGS AND ESTIMATES

	PATEA	TAIHAPE	WAIMARINO	MARTON	WAIOURU	TOTAL
Total Direct Hospital Costs 1988/89 - 1 June Agenda A	\$1,758,346	\$1,222,515	\$965,057	\$596,326	\$220,856	\$4,763,100
Obstetric Service Cost B 1988/89 - 1 June Agenda	\$20,953	\$81,359	\$157,802	\$181,262	\$220,856	\$662,232
Maternity Budget 1984/85 C (Obstetric Service Plan)	\$99,161	\$90,231	\$104,454	\$183,828	\$110,594	\$1,188,266
Budget required for Minimum Legal Staffing. D 1984 Obstetric Service Plan	\$146,961 6.72 FTE	\$146,961 6.72 FTE	\$146,961 6.72 FTE	\$183,650 8.4 FTE	\$148,525 6.72 FTE	\$773,058
Budget required for Minimum Legal Staffing in 1988/89.E * see footnote.	\$201,600	\$201,600	\$201,600	\$252,000	\$201,600	\$1,058,400
Other Direct Costs divided on basis of patient days. F	\$10,646	\$37,305	\$69,401	\$72,878	\$18,716	\$206,948
Total (of E and F) G	\$221,246	\$238,905	\$271,001	\$324,878	\$220,316	\$1,276,346
Actual nursing staff cost H (Maternity and General) 1 June Agenda	\$871,112	\$665,792	\$531,303	\$356,592	\$162,140	\$2,585,939

Estimated Minimum Legal Staffing Cost E

From this table an estimated Total Maternity staffing Cost of \$1,058,400 is obtained. This maternity nursing cost alone would give a average cost per birth of \$4,267, which would give Whare Ora a budget of \$98,585 (including GST) based on 21 births.

Other Costs F

However this was only based on the nursing cost which was only 55% of the Total Direct hospitals costs. It is probably reasonable to divide the other hospital costs (ie Hotel costs) on the basis of patient days.

Total Obstetric Service Cost

Total Obstetric service Cost => \$1,276,346
Average Cost per birth => \$5,147
Whare Ora proposed funding => \$118,885

* An estimated cost per FTE (Full time equivalent) has been obtained for the 1988/89 year by dividing the nursing costs in the Board's "Business Plan year ended 1990 for the 5 rural hospitals in question by the number of FTE's. An average costing of \$31,585 is obtained and a conservative figure of \$30,000 per FTE is used.

An over-estimation of the maternity cost

The above (G) is an over-estimation for the 4 dual purpose hospitals maternity cost as it completely ignores the staffing economies available in these hospitals, however it is important to note that the figure for Waiouru (\$220,316) is within \$540 of it's actual 1988/89 cost.

The 4 dual purpose hospitals are able to operate their maternity units at less than this legal minimum staffing as some of the staff are utilised in both general and maternity wards. Each of these hospitals only requires 1 Staff Nurse and/or Hospital Manager to be responsible for the whole hospital. Also staff "technically" employed in one area of a hospital can be used in the other area if the necessary.

How large are these savings?

Therefore to accurately ascertain the cost of maternity at each dual purpose hospital the actual staffing cost would have to be obtained on the basis of where the staff are actually employed. The actual Total Maternity costs for the 5 hospitals therefore lies somewhere between \$662,232 and \$1,276,346.

Thus the average cost per rural birth on this basis lies somewhere between \$2,670 and \$5,147.

Suggested method of estimating "Total Obstetric Service Cost"

It appears that it was possible for the Board to establish from their records the actual maternity nursing cost of each hospital. Thus the most accurate method available to the Board would have been as follows:-

A) Maternity nursing cost.

The actual nursing staff could have been established and an adjustment made if these nursing staff spent time caring for general patients. Also part of the salary of Nursing staff in charge of the whole hospital would have to be apportioned to the maternity units.

B) Other hospital costs

These could be apportioned on the basis of patient days as it is reasonable to assume that costs as such as Hotel and Administration salaries and supplies are closely related to the number of patient days.

The "Obstetric Service Cost" of each hospital would be calculated by the addition of these two costs (as in G above)

C. Other Costs Not Included

Another aspect worthy of consideration was the fact that the Board did not include other costs of running their rural hospitals in their analysis.

1) Capital Costs

The Board clearly stated that these were not included in their costings. Thus no account was made in relation to the value of each hospital's land and buildings nor any recent major capital expenditure spent on them.

It is clear, that to make a relevant comparison between costs per birth at different institutions all costs need to be included - and capital costs are a significant factor in these costs. Multi-story buildings on prime real estate in cities obviously have a higher capital value than peripheral hospitals in rural areas.

2) Grounds Maintenance Costs

The grounds of Marton, Hunterville and Taihape hospitals are maintained by Board staff based in Wanganui who travel to each hospital to carry out their work.

These costs are not shown as a cost to each hospital.

It would seem logical for the Board to contract out the maintenance of each hospital's grounds which would most likely save money and would help local employment.

3) Board's Central Stores

The rural hospitals obtain hotel supplies from the Board's central store and the cost of these are not included in each hospital's costs.

4) Cost of Recruiting Staff

The Society had been responsible for the recruitment of Whare Ora's staff (1976 - 1989) and paid all the associated costs.

The Society received no credit of this cost savings to the Board.

Conclusion

For a true comparison to be made between costs of various services all costs incurred need to be included. Thus relative advantages of rural hospitals may not be unaccounted for.

The efforts by the Society to obtain staff and renovate the Whare Ora building were not considered and they were not given the opportunity to contract the maintenance of the grounds which would have been a saving to the Board.

6.1.5 Independent Auditing of Board's Calculations

Since the latter half of 1989, the Board has continued to defend its calculation of the cost of rural births (\$1816). This was despite the fact that the Board claimed the Government Audit had audited the costings when they hadn't and in the face of a written opinion by a Massey University accountancy lecturer.

Government Audit Office

1st Audit December 1988 [See Appendix 4 for full details]

It is quite clear that there was significant disinformation in relation to the Auditing of the \$1,816 figure.

In June 1988 the Board's Deputy General Manager suggested that "the calculation of the end sum be audited by a chartered accountant. However this suggestion was never carried out and in November 1988 the Government Audit office was asked to check that the "Direct Costs and Statistics" [Page 63 of Board's 1 June Agenda - Appendix 2] had been correctly extracted from the Board's ledger. The Audit Office was specifically asked by the Board's Treasurer to not give an opinion on the methodology used in the calculation of the final calculation of the grant.

However in the Board's 1 June Agenda, and in two letters from the Minister of Health (10 August & 7 September 1989) it is clearly stated that the \$1,816 average cost per birth figure was audited by the Audit Office when it simply was not.

Finally when the Minister of Health was shown the whole calculation she backed down on her ascertain that the \$1,816 figure had been audited saying that "each set of figures may be correct in its own way"

2nd Audit July 1989

Denis Marshall MP wrote asking the Audit Office to look into the Board's information in relation to Hunterville (and Waiouru) but this produced nothing because the Audit Office was not asked to check the final calculation.

Final approach to the Audit Office

As part of this study the Audit Office was approached again. Their response was to emphasise that the Audit Office had NOT audited the final calculations and that because the matter had been subject to a court judgement and no public funds were now involved they would not be examining the calculations.

Local Accountant

In 1989 the calculations were submitted to a Hunterville accountant who gave his professional opinion that the \$2,670 figure was the correct one.

High Court

Judge Neazor offered no opinion about the rural birth costings, only noting the difference in opinion between the Society and the Board.

Massey University

As a part of this study, the financial information used in the Board's 1 June decision, the Society's and the Board's claims as they appeared in the newspaper and the court affidavits were submitted to the Massey University accountancy department for an independent opinion.

The letter in response to this request is enclosed [Appendix 5]

"There is no doubt in my mind that the weighted average of the five institutional average costs per birth (\$2670) is a better estimate of the average cost of births..."

The Board's Treasurer in his affidavit gave an explanation of why he didn't use the individual hospital maternity costs.
[Appendix 4]

In response the Massey lecturer said that using "organisation"-wide averages to apportion costs to a cost objective was a common practice in industry and commerce despite its many critics and obvious shortcomings. He suggested that the method had probably persisted as it was considered useful in a situation where it was thought that the benefits of more detailed analysis were less than the costs of obtaining the more detailed information.

"However, in this case under discussion detailed costs about each unit (institution) are available and therefore, should be used. I am at a loss to explain from a purely technical standpoint why the organisation-wide method of calculating the average cost of births at rural institutions has been persisted with."

6.16 Board's Defence of its Calculation

On three occasions an official challenge has been made against the Board's method of calculation and each time Board Management have defended their method as being acceptable.

The Board Treasurer's High Court affidavit includes a justification and explanation of the methodology used and is detailed in Appendix 3.

Board response to claims in this study

In a comprehensive document the arguments in this study and the letter from Massey was submitted to Board management for comment. The official response provides no further explanation of the Boards calculation and states that:

"I will limit my comments to your conclusion and rather than attempt to defend the Board's calculations, just restate the fact that the cost of births at Whare Ora were the highest in the Wanganui Area Health Board. And also that various ways could be used to calculate the cost of a birth at Whare Ora and that what is the 'best way' would be very much a matter of opinion."

The fact that the Board decided to rescind its March 1988 decision "as part of its rationalisation of Board wide maternity services and the need to provide more appropriate community based services, also needs restatement."

In relation to this study's claims on the possible reasons for the Board Management's defence of its methodology the following statement was made:

"Your conclusions that the calculations were deliberately manipulated or that a mistake was made and then covered up, are widely inaccurate....."

Response to the Massey University opinion

"The points made by Mr Keith Dixon of Massey University are noted and are mostly valid. He obviously was not aware of all the facts, but his comments concerning Patea and the influence upon the average cost of this institution are well made."

Response of ex Board Treasurer

See Appendix 3

6.17 Possible explanations for Board's stance.

Since the Board has continually defended its methodology there are three possible scenarios that could account for its stance.

- A) A deliberate manipulation.
- B) An unfortunate mistake and then a cover up.
- C) A sincere belief in their methodology.

A. A deliberate manipulation.

There is a substantial amount of evidence for this.

Past History

In discussions with people connected with the Board it would appear that the reprieve Whare Ora received from the Board in March 1988 was not due to a change of heart at all. It was inconsistent for a Board that had worked so hard to close down Whare Ora in the past to change their stance in the light of a HAC recommendation that they clearly could have been disregarded.

It is apparent that the recommendation to fund Whare Ora on the average birth cost was made in the firm belief that it would not be possible for the Society to make up the vital deficit in funding and thus the Board would be closing Whare Ora without appearing to do so.

In the light of this assumption it is possible that it was "understood" that Whare Ora's recommended funding would be too low - as it was in January 1989 at \$50,000.

On 12 October 1989 during a personal conversation between the Board's Treasurer and the Author, when the Treasurer was asked why he hadn't used the method that resulted in the \$2,670 figure for rural births he said that this would "not be acceptable to them."

It has become clear over the years that the closure of Whare Ora has become a very emotive issue. In the words of Justice Neazor "the differences in opinion have on occasions, as is not uncommon in such cases, engendered more heat than light."

It appears that the Board's aim to close Whare Ora's had become a personal objective of the Board Chairman even possibly to the stage of an obsession. This confirmed by the Chairman's reaction at the 1 July 1989 "Walk out Meeting", her absolute refusal to discuss the Board's 1 June 1989 decision and her role in seeking court costs in 1990 as an appointed member of the new Board.

It is possible that the Board started with the answer that they wanted and made sure the financial information produced the desired result.

Presentation of Board information

The presentation of financial information in the Board's 1 June Agenda made the incorrect calculations less obvious than they could have been.

On the first page of the Whare Ora presentation (Page 47) a table was produced that showed the Obstetric Days Stay, the Number of Births, the Cost per Birth and the Cost per Patient Day at each of the rural hospitals and the totals/averages for the 5 hospitals in question. The figures for the Total Obstetric service Costs for each hospital and the Total Obstetric service Costs figures were conspicuous by their absence. It is obvious to the trained eye that there is something wrong with the average cost per birth figure. However, as the Total Obstetric Service Cost was far more obviously not a total of the individual hospital obstetric service costs, these costings may have been purposely left out. They are shown in Appendix C of the Agenda but is in a less readily understood form.

Auditing of the Costings

As detailed in 6.1.6 the claim that the Board's \$1,816 figure was audited is clearly false. It is important to emphasise again that the Board's Treasurer specifically asked the Audit Office not to give an "opinion on the appropriateness of the methodology used in the final calculation of the grant."

This means that the only figures Audited were the "Direct Costs" for each hospital and the Total of these (\$4,763,100). None of the maternity costs nor the consequent costings were audited.

B. A mistake covered up.

It is possible that the method used was simply a mistake and then was defended since the desired decision of the Board had been achieved.

It is worth noting that the Board has never claimed that the method used to arrive at the \$2,670 figure was incorrect but only that it was false to claim that the Board's \$1,816 figure was incorrect.

C. A sincere belief in their methodology.

Another possibility is that the Board didn't give Whare Ora's average cost of rural births proposal serious consideration because it was never considered to be a viable option.

The Board's view, stated on numerous occasions, was that Whare Ora was the most expensive maternity service in the Board's area.

The Board Management in their 1 June presentation stated by transferring services from institutional based services (Whare Ora Hospital) to community based services the board would be both saving money and providing a wider range of services with the subsequent increased benefit to the community.

Simply, the \$170,000 used to fund Whare Ora could be partly used to fund new community based services with the balance contribute significantly to the considerable savings needed at a time when the Board faced insolvency and sacking. (As the Auckland Board just had been)

Average Cost of Rural Births not Important

The calculation of the average costs of rural births was therefore of no great importance, the method used was considered to be accurate enough and the extra cost needed to carry out a more detailed analysis was simply not worth it.

It appears now that it was almost irrelevant what the average cost of rural births actually was as the Board had decided to move away from that concept well before 1 June 1989.

This is backed up by minuted comments at the meeting between the Board Chairman and Denis Marshall MP at their 29 September meeting that

"There was no logic to the decision to fund on the basis of the average cost of rural birth...."

"It was noted that the arguments that the cost of average births recognised by the board at \$1,800 and by the Society at \$2,600 was not relevant."

[A similar statement was made in a letter (6 November 1989) from the Minister of Health to the Author.]

6.2 Cost per birth at Whare Ora.

There is considerable variance in the Board's statements of what the actual cost per birth at Whare Ora actually was.

It is a fair ascertain that the cost per birth at Whare Ora is \$7,545 obtained by dividing Whare Ora's 1988/89 Board funding of \$158,441 by 21 births. As the frail ambulant (geriatric) were solely a Society effort to utilise the staff more and were there with the "permission" not the blessing of the Board there is a justification for the Board not including the frail ambulant patient days in their calculations.

However since the Board choose to divide the other hospitals costs on the basis of patient days, they were obliged to do the same for Whare Ora - thus Whare Ora's estimated Obstetric Service Cost was \$95,916 and the resultant cost per birth was \$4,567.

If the cost per birth at Whare Ora was \$7,545 then the comparative cost per birth at Marton was \$7099 (\$596,326 divided by 84 births) as Marton had a very similar set up to Whare Ora.

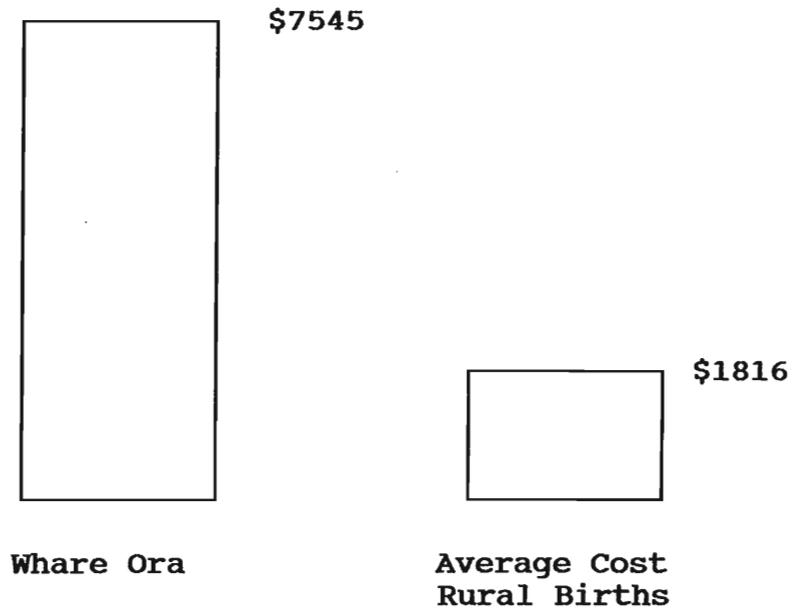
Assuming for the moment that the \$1,816 average birth cost was accurate then the only figure that could be used as a comparison for Whare Ora was \$4,567. However the Board's Management stated that it was \$7,545 on several occasions (compared to \$1,816) with the \$4,567 used as a concession when weighted down by frail ambulant days.

Board's Whare Ora Birth cost statements.

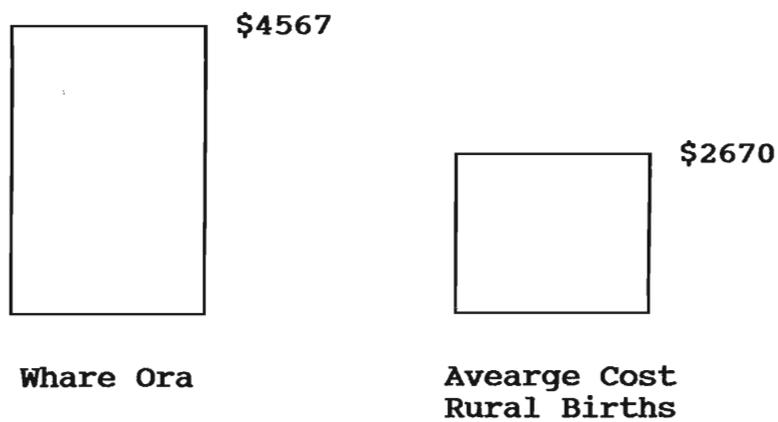
- A) Press release 31 May 1989.
Whare Ora - around \$7,000
Average - \$1,816
- B) Board Agenda 1 June 1989
Whare Ora - \$4,567 (weighted for frail ambulant days.)
- \$7,523 or \$6,822 non weighted.
Average - \$1,816
- C) Letters from Minister of Health
Whare Ora - \$4,567
Average - \$1,816
- D) Board General Managers press statement (20 Sept 1989)
Whare Ora - \$7,545
- \$4,526 if 14 away births included
- E) 29 September 1989
Board General Manager at meeting with Venn Young MP
Whare Ora - over \$7,000.
- F) 12 December 1989
Board Acting General Manger in Memo to new Board
Whare Ora - cost per birth of some \$7,000

Overall effect of all these factors.

Either by deliberate design or accident the Board Management portrayed the greatest possible difference between Whare Ora and the average cost of rural births as graphically shown below.



Where in reality the true picture using the correctly calculated average birth cost and the comparative Whare Ora cost is shown below.



6.3 Conclusions

Boards Ability to Make Rational Decisions

Gibbs' Report

"The New Zealand hospital system is characterised by very poor management information. Management and accounting systems are almost non-existent."

"An inevitable consequence of inadequate information is that none of the people who make decisions are aware of the cost of the resources they use or misuse. Therefore they cannot take costs into account when considering different courses of action. In particular they cannot be aware of the opportunities lost by their decisions."

1989 Audit Office Report

One of the findings of the 1989 Audit Office report into the management of public hospital surgical workloads was that hospitals lacked reliable information on which to make good management decisions.

Cost of Whare Ora - Cost Rural Births

One of the obvious conclusions of this study is, that in relation to Whare Ora, the Board simply did not have sufficient information to make a rational accurate decision. At the time not even the basics of accrual accounting methods were used by the Board. This situation is clearly evident in the budgets for peripheral hospitals where (as shown earlier) many of the costs incurred by these hospitals were not shown but were lumped together with general base hospital expenses.

This situation is changing with Board's now beginning to develop more detailed and accurate accounting and budget systems. The Manawatu/Wanganui Board is currently implementing a comprehensive accounting/resource analysis system (RUS) that will enable it to know exactly how much, for instance, each institution, patient, doctor, and ward is costing.

Thus, until such systems are fully implemented, Board's do not know how much many of their services and institutions are costing. Consequently cost savings are very difficult, if not impossible.

It is not surprising therefore, that when Board's have attempted to save money in the past, they have frequently closed down complete wards or institutions rather than making savings from within each of the services they provide.

B. ACCURACY OF OTHER INFORMATION

6.4 Average Days Stay

Whare Ora's average days stay as portrayed in the Board's Agenda is clearly inaccurate.

It was stated that the length of stay at Whare Ora "was 14.0 Days, much higher than the average of 10.9 days and the norm of around 6.0 days for busy obstetric units."

The actual average days stay, extracted from Whare Ora's register, were 7.7 for the births at Whare Ora and 7.1 for the "away births".

The Board's figure of 14 days stay was obtained by dividing the number of obstetric patient days (293) at Whare Ora by the number of births at Whare Ora (21) and completely ignored the 14 "away" births that returned to Whare Ora and the ante-natal days included in Whare Ora's statistics.

Thus the actual length of stay at Whare Ora was marginally greater than the norm for busy obstetric units and not twice as incorrectly portrayed by the Board Management.

Again it is unclear if this was a deliberate ploy to give the impression that Whare Ora was a holiday home for mothers or whether it was a symptom of poor preparation.

6.5 Cost savings of new services

In the Board's "List A" on page 50 of the 1 June Agenda there were some small errors and generalisations. [Appendix 1]

Cost of Meals on Wheels

The cost of meals on wheels (\$5,000) was shown as a new service when it in fact was carried out as part of the Whare Ora service in the past.

Ante natal classes

Although on 1 June 1989 the Hunterville community recognised the value of having a community midwife for the provision of antenatal classes and post natal care there was no recognition given by the Board that the Whare Ora staff were contributing significantly to these services already so in fact a proportion of the so called "additional" services of the community midwife were in fact a continuation.

This aspect was one of the Society's objections to the Board's presentation as they regarded that Board's concentration on Whare Ora's birthing role was not a true reflection of the wider services provided by Whare Ora's staff.

SECTION C

The Community's Appeal

Chapter 7

THE PEOPLE'S AVENUES OF APPEAL

After the 1 June Board decision to discontinue Whare Ora's maternity funding the members of the Society and the Hunterville community met and discussed what action should be taken, if any.

This group of people, the "Save Whare Ora Action Committee", launched a comprehensive attempt to have the Board decision reconsidered. Many avenues of appeal were tried but each of these failed.

The Save Whare Ora committee found that the Board was not influenced by the media, could not be called into account by the Minister of Health or the voters, and was not answerable to the Courts over its 1 June Decision.

The Hunterville Community's efforts are now examined in relation to the fundamental principles that are essential for a true democracy.

THREE FUNDAMENTALS OF DEMOCRACY

1. FREE MEDIA
2. FAIR ELECTIONS
3. INDEPENDENT COURTS

7.1 The Free Media

Attempts to use the Media to communicate the Hunterville community's case and to challenge the Board met with mixed success. Local newspaper and radio gave the issue extensive coverage and the local provincial newspaper eventually called for the Board to give Whare Ora a reprieve, but the Board was not influenced by this.

Local provincial newspapers

The "Wanganui Chronicle" has played a vital roll in the Whare Ora battles over the years. It has taken the issue very seriously and played an important role in communicating to the general public the views of both the Board, the Hunterville community and the Society. The Whare Ora issue made front page headlines at least 14 times from June to December in 1989.

3 Editorials were written in relation to Whare Ora.

A. "Fight for Whare Ora" - 8 June 1989.

Commended the people of Hunterville for their fight for Whare Ora in the past but said "The fight for Whare Ora is over"

"Don't blame the Board. Blame the Government."

B. "Community Power" - 16 August 1989. (After protest day)

"Hunterville must be an acute embarrassment to the Board.

So far in the squabble over the likely closure of whare Ora hospital most points have gone to the highly motivated and mobilised Hunterville community.

Hunterville is entitled to scream 'foul play!' on several grounds - notably the board's broken promise to continue funding Whare Ora until 1993.

The Board is making a poor job of defending itself. In the circumstances the board will win the match and the crowd will boo lustily."

C. "Vale Whare Ora" - 30 September 1989.

"Editorially the Chronicle has traditionally backed Whare Ora against repeated closure moves but it has virtually accepted the inevitability of the board having its own way. This should be interpreted neither as a strengthening of the board's case nor a weakening of Whare Ora's."

"Attempts to legitimise the board's decision making process appear suspect. Arguably, Hunterville has done enough to warrant a reprieve from the Wanganui Area Health Board.

Metropolitan newspapers

Unlike the provincial newspaper these newspapers showed considerably less concern with a fair presentation of the facts.

The Dominion turned the Board's 31 May press release into a front page article "\$7,523 price tag on Hunterville babies" (1 June) and attempts by Hunterville people to have them publish the other side to the story proved fruitless, in contrast to the Wanganui Chronicle that went to great lengths to print both the Board's and the Hunterville community's side to the issues. However subsequent to that the Dominion and the Dominion Sunday Times both ran articles on Whare Ora.

A comment in a Listener Editorial ("Shock Treatment" October 14) highlights the potential for damage to such cases as Whare Ora by inaccurate and poorly researched journalism.

In the Editorial, by the assistant editor, it was stated that Whare Ora's cost per birth "was alleged to be around five times greater than at the base hospital of Wanganui. A figure of over \$20,000 each was mentioned."

When the assistant editor was asked to verify were he got his information from he stated that he thought it had come from a Dominion article but that he couldn't be bothered searching for the article.

The Listener finally printed a letter from Hunterville explaining the true facts and the Editor added "The error is regretted".

It appears that the Editorial comment was based on a very inaccurate recollection of the Dominion 1 June Article.

Radio

On several occasions the Whare Ora situation was reported on local private and public radio in which Hunterville people were able to express their views. Radio New Zealand included interviews of Board personnel and Hunterville people on 2YA's "Country Saturday".

The TV 1 Network News gave a brief account of the 13 August "protest day" but did little to present the issues preferring to highlight that the Ministry of Transport didn't give any of the illegally parked trucks and tractors tickets.

Despite considerable coverage by the press and strong views being expressed by the local newspaper about the actions of the Board, Board members remained firm in their resolve to not reconsider their Whare Ora decision.

The Board was obviously under no obligation to pay any regard to the press but did on occasion use the media to defend it's actions or statements when challenged.

7.2 Fair Elections

A. Government

Past Role of the Minister of Health

In the past, with the system of Hospital Board's the Minister of Health had a significant role in the decisions Board's made.

If a Hospital Board wished to close an institution permission had to be gained from the Minister of Health for permanent closure. Usually a board's request was referred to the Hospitals Advisory Council (HAC). The Minister only had power to over rule the HAC if they recommended the institution close - but not if they recommended it remain open.

This had the advantage that the Minister and HAC could make an outside, possibly unbiased, assessment of a situation. This was the case with Whare Ora with each of the 3 HAC recommendations in 1976, 1979 and 1988. In 1979 when the Wanganui board challenged the Minister's decision. They told the Minister that if they were forced to fund Whare Ora then they would be overspent by that amount at the end of the year. The Minister firmly directed the Board to follow his directive.

However, from the Board's perspective, this power of the HAC and the Minister of Health over the decisions of Board's made their efficient operation difficult at times.

While the Minister had the power to intervene in Board decisions, this power may not have been always been applied on the basis of fairness and rational analyses. There was clearly room for political expediency and it may have been at times that those who made the most noise got the best deal. Certainly the people of Hunterville were experts at that. It appears that a resentment had built up over the years as successive Board members and management attempted to close Whare Ora down on what they sincerely considered was logical reasoning, but were totally frustrated in their efforts by successive Ministers and the HAC.

Present Role of the Minister of Health

The 1983 Area Health Boards Act gives the Minister of Health clear powers of intervention in such situations as the 1989 Whare Ora dispute.

"s 37. (1) The Minister may from time to time give to an area health board such directions, not inconsistent with this Act or with any regulations made under this Act, as he considers necessary or expedient for the purposes of this Act.

Clearly in the case of Whare Ora the Minister choose not to act although it would appear that she did consider intervening.

B. Election of Board members

Larger Board's - Less representation

Area Health Board's are now considerably larger than Board's were prior to October 1989 but have the same number or less elected people. Since Boards also have more autonomy and responsibility they effectively have more power and less accountability.

In October 1989 the Wanganui Board became part of the new, much larger, Manawatu/Wanganui Area Health Board. In the past the Rangitikei area (in which Hunterville is located) was covered by 4 elected members (out of 14 elected members). Now this area has only 1 elected representative (out of 10 elected and 5 appointed members).

In the Rangitikei there is the potential for a conflict of interest when a single member is required to represent 4 major communities (Bulls, Marton, Hunterville and Taihape). One of the reasons for seeking the closure of Whare Ora was that this would strengthen the viability of Marton. The risk now that Boards cover a larger geographic area is that the larger communities will gain at the expense of the smaller ones.

Now that Wanganui is on the geographic fringe of the Manawatu/Wanganui Board, it may be subjected to the same pressures in relation to it's larger neighbour, Palmerston North (only 50 minutes away) as savings can always be made by centralising services. If Boards are expected to make further cuts in real expenditure levels then the risks are that people from cities like Wanganui will be forced to travel, at their own cost, to larger centres like Palmerston North for health services.

A comment from the last Wanganui Board Chairman in 1975 (then the member for Patea) in reaction to the proposed closure of Whare Ora may now be fulfilled:

"if that was Mr Brown's reasoning, Wanganui may as well join with Palmerston North. Small communities, were having their 'rights and amenities whittled away'"

Appointed Members

The possibility that Board's will be dominated by Government appointees or even consist solely of appointees exists.

The future of elected positions on Area Health Boards has been an issue of some debate, with some commentators speculating that elected members will soon be a thing of the past. The plan of a Board consisting solely of appointed members has been strongly denied. But this is exactly what is happening with power board's with virtually no public reaction. The appointment of the past deputy chairman of the Palmerston North Board, a strongly defeated candidate (6th out of 10 for 3 places) by the Minister of Health to the new Board and his election to the chairman's position raises some interesting questions. This is in no way a comment on this person's ability but surely casts doubt on the ability of voters to pick the right people and may reflect the confidence that the Minister's has in the electoral system.

7.3 Independent Courts

The Judgement of Neazor J on 21 December 1989 gave a clear message to the Society and the Board that the Courts did not have a role to intervene in this case.

"Those responsible for the decision must answer in respect of the merits of the withdrawal of Whare-Ora Hospital's maternity services in the political arena to electors or to those who control the supply of funds. They are not answerable to the Court in relation to the merits unless it is shown that the decision was unlawful or was such that no Board which was acting reasonably could have reached it."

The Society claimed in its application for interim orders that the Board was acting unreasonably.

The Society's grounds were that the Board:

- (a) acted on erroneous information;
- (b) acted mistakenly;
- (c) acted unreasonably;
- (d) acted with bias and prejudice;
- (e) acted in a pre-determined manner;
- (f) failed to take into account relevant considerations and took into account irrelevant considerations;
- (g) acted substantively unfairly.

However the Society failed to convince the Court that a Board acting reasonably couldn't reach the decision that the Wanganui Board had.

The Board conceded that there was a "serious question to be tried" but not that the Society had a "prima facie" case for challenging the Board's resolutions.

Judge Neazor states "in my view, a prima facie case for review of the decision only possibly appears if one's vision is concentrated on this isolated part of the Board's decision making in respect of the use of funds; the possibility fades when the larger, and in my view, true picture of the relevant decision and the balancing exercise involved is looked at."

7.4 CONCLUSION

Quality of decision making

All decisions made by such bodies as area health boards should be able to withstand close scrutiny.

Those responsible for these decisions should have sufficient confidence in their decisions to be able to give rational answers to those who question their decisions.

All decisions should be made on the basis of the facts that are pertinent to the particular decision and must therefore decision makers must always be open to the possibility of exceptions.

Probably most important of all, good decision makers must always be open to the possibility that they have made an incorrect decisions and thus must always be open to new information that may mean a decision has to be changed.

Quality of the Board's Decision

The Board's 1 June 1989 Decision failed to meet many of the criteria necessary for a good decision.

1. Ability to withstand close scrutiny

As detailed in earlier chapters the Board's 1 June decision contained significant errors of information vital to the decision and therefore would not have withstood close scrutiny in many respects. In fact the Board simply would not allow representatives of Hunterville to present their criticisms to the Board directly.

2. Confidence in decision

On several occasions personal criticisms were made on Hunterville people by Board members when the Board decision was criticised. The Board Chairman launched a personal attack on the Chairman of the Hunterville Health Watch Committee, at the "walk out" meeting in response to the committee's criticisms and the Board accused the Hunterville of being "a well-to-do rural upper class community"

If the Board decision was so soundly based why was so much prejudice shown by these decision makers.

3. Based on the facts

It would appear that there were many other reasons why Board members choose to vote in favour of closing Whare Ora. To some members Whare Ora could not stay open when the Board had closed other larger maternity hospitals, to others their maternity hospital had closed so why should Hunterville's remain open, and to others the viability of the hospital in their town was expected to gain from Whare Ora's closure.

Open to exception

The Board were simply not willing to accept that the Whare Ora case was unique and that it was due to the commitment of the Hunterville people to their community not eliteness that made Hunterville different.

4. Open to new information

Once the Board had made its decision, its "mind" was effectively closed. The Board Chairman stated to Venn Young on 29 September 1989 that "to give them a further six months would mean that the Board would be admitting that it had made an error of judgement and this was not so."

But how could the Board be sure that it had not made an error of judgement when it refused to discuss their decision with the Hunterville community.

As shown by this study their were significant errors in the Board's information but no opportunity was given to present these to the Board.

Could it happen again? _____

The battle for Whare Ora Maternity is over.

But what about next time?

Under the present area health board system similar situations may occur again. Similar in that decisions can be now made by Board's and they are not bound to reconsider any decision if it can be shown that an error was made.

Chapter 8

HUNTERVILLE TODAY: The Consequences

A year has passed since the closure of Whare Ora's maternity but many of the effects of the closure will take years to be fully recognised. In many ways the closure is just one of the many changes that has effected Hunterville and many other New Zealand towns and its effect depends on many factors, not the least being the community's attitude to changes.

However one immediate and obvious result of Whare Ora's closure is the effect it has had on the town's GP, and the profitability and viability of his practice. The permanent loss of Hunterville's GP service sometime in the future, would have a significant effect on the town's viability.

8.1 The Society

As described earlier the Whare Ora building is leased by the Society at a peppercorn rental and used as a 5 bed Category 1 Rest Home. The Board leases some rooms back for its community staff and uses the building for ante natal classes.

The rest home is proving to be viable, but once again this is due to the dedication of the Society, especially a small band of volunteers who commit considerably time and effort to its operation. One of the strengths of the Society in the past was that its role in providing a maternity service produced a continual influx of young volunteers to help in its activities.

As the Society's role is narrowed to the provision of services for the elderly the danger is that its vital support from the community will slowly fade.

Society - Area Health Board Relationship

Although it is clear that the Society and the Board have had an ongoing dispute over the provision of maternity services at Whare Ora that is not to say that the relationship has not had its positive aspects and harmonious periods.

In many ways the Society (and the Action committee before it) was the first of the Board's Health Watch Committees.

However now that the Board and the Society have little to do with each other the danger is that the Society be prevented from being anything more than a provider of services for the elderly.

Hospitals Advisory Council Report: "the efforts of the Whare Ora Hospital Society should be encouraged given the initiative shown with regard to the pensioner units scheme."

The Board now directs its efforts in Hunterville more through the Hunterville Community Health Watch Committee.

Role of the Health Watch Committee

The role of these committees is clearly set out by the Board and the Hunterville committee is working well.

However there are two very important differences between the Health Watch Committee and the Society

- i) The Health Watch Committees members are elected by the community but have to be approved by the Board

The Society's Committee of Management elected by the community

- ii) It is not part of the Health Watch Committee's role to criticise the Board but the Society can and has.

The potential risks of Community Health Watch Committee's are that they will just become "yes" committees that are not permitted to criticise the Board in any way.

When the Hunterville Committee criticised the Board Managements for their Press Release (that appeared on 1 June 1989) the Board acted angrily with the Chairman stating that " she felt that the Hunterville CHWC had lost their direction, and that Leonie Belmont was abusing her position as Chairman of that committee." The Board Chairman " felt the Board should point out very clearly what the committees role was and that the use of this medium to attack the Board is unwarranted."

It can be said that the situation was an unusual one where the issues had "generated more heat than light" but nevertheless it was certainly the Wanganui Board's belief that the Health Watch Committee's role did not include criticism of the Board.

If community health watch committees are to be truly "watch" committees the situation where they are not allowed to criticise Board decisions and where Board's have ultimate control over the committees membership would seem to be a barrier to their ultimate function.

8.2 The Community

The Staff

All of the Whare Ora staff either received employment with the Board elsewhere or were paid redundancies. One of Whare Ora's midwives is now doing the two jobs of community resource nurse/ community midwife. It is interesting that 3 other ex Whare Ora midwives still reside in the Hunterville district and are employed by the Board at other hospitals. This does raise the question of whether one of the expected benefits to the Board in closing Whare Ora to the Board may have been the provision of midwives to its other hospitals (as in 1978)

The Expectant Mothers

The provision of a community midwife and community resource nurse has worked extremely well and has been received very positively by the community. Given more time it would have been worthwhile to have interviewed those women who had given birth in the past year and especially those who had given birth at whare Ora before.

However there is no doubt that those who have offered opinions would have preferred the quality of care and ease of access that Whare Ora provided. Also one women who delivered at Marton was very concerned that her GP (Doctor Thomson) would not arrive in time from Hunterville to deliver her child.

A detailed study of the 35 mothers under Dr Thomson's care who gave birth in the year September 1989/90 would however be difficult as the small number involved would make complete confidentiality impossible.

Of the 35 births of mothers under Dr Thomson's care 24 could have been delivered at Whare Ora and 11 would have needed to be delivered at a base hospital.

It is worth noting that only 12 delivered at Marton with a significant number choosing to deliver elsewhere mostly because they had family or close friends in the town they choose to deliver in. Some choose to move to these other towns before delivery rather than travel on country roads when in labour.

The wider Community

The Community Health Watch Committee and Community Resource Nurse have organised three very successful "Health Days" - separate men's and women's days and a combined day where a range of basic health tests were available free. The turnout at these days was exceptional with over 120 at each of the men's and women's days and over 150 at the combined day.

8.3 The General Practitioner

Consistently throughout the years of campaigning to save Whare Ora the Hunterville Community has expressed concern at the effect on the GP's practice if the hospital should close.

The Community's earlier submissions claimed that Hunterville would lose its solo GP and would be unable to replace him. Because of his special interest in Obstetrics Dr Thomson said that he would no longer find his practice fulfilling and would move. This fact and Dr Thomson's above average quality of care was recognised by both HAC committees and was a significant factor in the Councils 3 recommendations that Whare Ora remain open. Dr Thomson gave an undertaking to stay in 1976 which was a condition of the HAC's recommendation and the Board's 1988 promise to fund Whare Ora was also conditional on him staying.

In latter submissions Dr Thomson has claimed that the closure of Whare Ora would make his practice unsaleable and it would appear at this stage that this has happened. His practice has been put up for sale and thus far he has had no replies - so it appears that his fears have been realised.

As a result of losing the birthing facility at Whare Ora the income of the practice has fallen (less deliveries) and so has the fulfilment.

The trial period of a year in which Dr Thomson has delivered at Marton has proved unsatisfactory in most cases for both Dr Thomson and his patients.

[see Appendix 6]

The great danger is that a Board move to save money and improve services in the Hunterville District in 1989, against the wishes of the community may in fact cost the Board more in the long run if the community is unable to replace their GP when he leaves or retires.

Should this happen, Whare Ora's closure will have been the significant factor in the loss of the community's GP and will be seen in hindsight as another nail in the coffin of a rural community. The question that emerges is - what is the area health board's role in relation to the provision of GPs given their responsibilities in community health care?

Area Health Board - GP liaison

It is logical, that as boards move more into community primary health care, for them to consult with those already providing primary health care, namely GP's. However boards are sadly lacking in this regard. Dr Thomson wrote to the Board (Sept 1989) suggesting this but his letter was totally misinterpreted by the Board Management as being an attempt by him to have more "power" over the provision of primary health services.

It could be said that the Wanganui Board is taking business away from the Hunterville GP with some of the services they are now providing.

SECTION D
The Future

Chapter 9

CONCLUSIONS

ACCOUNTABILITY

If Board decisions are made rationally then they should be able stand close scrutiny (Transparent Decisions?). This study has shown that there were significant errors and discrepancies in the information used by the Board to reach it's decision. One possible explanation of the subsequent actions of the Board is that they feared that their 1 June decision may not have stood up under close scrutiny.

Right of appeal

Should there be an avenue of appeal in relation to the decisions of Boards in the light of the Whare Ora example?

The High Court ruled that it wasn't the court's.

The Minister of Health refused to intervene.

The Health Department said the Minister couldn't intervene.

The issue was on too small a scale to be a local election issue.

Faced with this where can the people go? - for power without accountability is not democracy.

CENTRALISATION

The continued centralisation of hospital, especially maternity, services is neither equitable nor financially sound.

The future prosperity of New Zealand's economy depends largely on the viability of rural and urban communities and to make decisions to cut services that may eventually threaten the survival of these communities.

Area health boards do have a responsibility for the provision of primary health care in these communities. To ignore the long term effects of their actions on the provision of health care by the private sector (namely GPs) may eventually mean increased costs to boards as they pick up the tab when communities loose their GPs.

Whare Ora - WHAT IF?

The Hunterville community didn't fundamentally ask for much from the Board - **Just their cooperation.**

1989

WHAT could the community have provided **IF** the Board had honoured it's 1988 promise and funded Whare Ora at \$2,670 per Birth (On 24 births and 12.5% GST this would have been \$72,090)

Perhaps with the cooperation of the Board Whare Ora could have provided an on-call maternity service and a community midwifery service that could have been a pilot scheme to explore new ways of providing maternity services to small, and not so small, rural and suburban communities.

1976 - 1989

WHAT could the Society have achieved since 1976 **IF** all its energy had been directed at improving its communities health services rather than having to constantly fight a Board that was determined to remove its birthing facilities.

At least twice, by the Prime Minister in 1979 and by the Minister of Health in 1989, the Society was advised to "work with the Board". Was the Board ever advised to work with the Society?

Basically Whare Ora never had a chance.

Chapter 10

RECOMMENDATIONS

The battle for Whare Ora's maternity services would seem to be irrevocably lost and it is not the desire of the Hunterville community to go back.

However out of the Whare Ora battle two major concerns arise:

A. Accountability of Board's

B. Centralisation of Services

Accountable

For area health board's to provide the best possible care with the limited resources available it is vital that they give serious consideration to the desires of the people. The danger is that now that Board's are significantly less accountable then they will also be less responsive to the wishes of the Public.

Centralisation

In the past when board's have been faced with the need to restrict or cut their spending the tendency is to close down whole services (such as peripheral hospitals) rather than making cuts within services. The obvious effect has been the continued centralisation of services as there is always another service "just down the road" at a bigger community. One of the reasons that board's have made savings in this way is that they simply did not know how much various services were costing them and lacked the information to increase the efficiency of many of their services.

The important questions are:

How far is a reasonable distance for people to have to travel to a maternity hospital? And how far for a base/surgical hospital?

Does the centralisation of hospital services always save money?

Specific recommendations

A. Formation of a Rural/Peripheral Hospitals Association

Rural and Suburban communities by their very nature are scattered and small and thus each community has limited resources and influence on its own. Yet the issues that face a small maternity hospital in the Wairarapa or Canterbury rural districts are very similar to those that face the much larger hospitals like those at Paraparaumu which have all been threatened with closure.

By combining resources this association could counter some of the ill-informed assumptions held by "metropolitan professionals" and investigate ways to enable the survival of peripheral hospitals.

Some of the possible roles of the association would be in relation to:

The Obstetric/Private Hospital and Nursing Regulations.

There needs to be further investigation into tailoring these big city orientated regulations to suit smaller hospital conditions without compromising safety standards.

There is considerable flexibility in the Obstetric regulations - both in the interpretation of those regulations and the exemptions available. As the Society found in the past the regulations were often more flexible than the Department of Health and Board personnel imposing them.

For example in 1978 Whare Ora obtained approval for the Midwife's house that was two doors away from the hospital to be considered "on the premises" (it was said that the distance from her house to the hospital was less than the length of a corridor at National Women's Hospital.)

At times the Board used the strict interpretation of the Regulations in their attempts to close Whare Ora. Either on the basis that it would cost too much to implement them or because Whare Ora was "illegally staffed". In 1985 the HAC dismissed the Board's ascertain that Whare Ora was illegally staffed and in 1978 the Board was left with egg on its face when it attempted to close Whare Ora on the basis of cost when it was shown that their other peripheral hospitals were illegally staffed.

How many of the Board's peripheral hospitals, and its Base wards for that matter, were illegally staffed in 1988/89?

General Practitioners

The role of a GP is an essential component of primary health care especially in communities without easy access to accident and emergency services. In many instances the role of GPs has been very underrated by many Boards and even completely ignored in some cases. There is an obvious need for greater coordination between GP and Area Health Board services especially in the provision of community primary health services and with regard to patient care during and after hospitalisation.

Devolution of services

If any of New Zealand's peripheral hospitals are to survive then it essential that their utilisation is increased (the provision of geriatric inpatient services is part of the solution).

This requires the necessary flexibility of the pertinent regulations to allow the use of the same staff in both the general and maternity parts of the hospital.

One obvious conclusion from the Board's 1 June 1989 presentation of the costings for their peripheral hospitals was that the more important factor in an individual hospital's survival was not it's number of births but whether it was a dual purpose hospital (General/Geriatric and Maternity)

For example: The cost per birth at Waiouru (58 births) was much higher than at Taihape (40 births) because it was solely a maternity hospital whereas Taihape catered for maternity, geriatric and GP referral patients.

Rural and Suburban people accept that they have to travel to receive quality expert care for surgery and specialist services. Boards have made considerable savings by the centralisation such services. Part of these cost savings are not real savings as there is a corresponding increase in private cost incurred by the patients and their families as they are required to travel greater distances.

To balance this the answer may be the decentralisation of other inpatient services to the peripheral hospitals to improve the utilisation the existing staff and buildings (especially for services that may benefit from the reduced size of peripheral hospitals)

B. Changes to the Legislation

As area health boards now have more autonomy it is essential that there is some checks and balances in the system so that they can be held to account for any incorrect decisions. Presently as long as boards keep within Budget guidelines, adhere to the broad terms of their contracts with Government, and don't behave in an illegal manner then they can do what they like. Unlike the Labour Government, who was decidedly removed from power in the October 1989 elections largely because they didn't listen to the people, area health board members are rarely called into account in this way.

Area Health Boards Act 1983

As previously shown the present Act has the provision for the Minister of Health to intervene but this is very much up to the Minister of the day and will depend largely on political considerations. It would appear that one of the factors that was pertinent in the Minister's decision not to intervene in 1989 was the perceived political consequences of doing so. The National Opposition would have made great political mileage out of an apparent change in direction by a Minister who had steadfastly refused to intervene in the past - over much larger issues. So it is possible that the Minister did not intervene simply for her own political expediency.

The Judicature Amendment Act 1972

As ruled by Justice Neazor the courts only have a role in reviewing Board decisions where "it is shown that the decision was unlawful or was such that no Board which was acting reasonably could have reached it."

There is therefore no simply process of seeking the review of a Board decision when it can be shown that in the process of reaching the decision incorrect information was used. The sheer volume of information that Board's have to consider means that this situation is highly likely again. The ability of members of the public or organisations to have an input in this way may in fact be helpful to Boards, as well as placing more checks and balances in the present system.

Recommendation

There is a need for area health boards to be required in some way to give consideration to submissions on Board decisions, after they are made, if it can be shown that the decision contained incorrect or misleading information or that significant information was not considered.

This could be included as an amendment to the Area Health Boards Act or the Judicature Amendment Act.

APPENDIXES

WHARE ORA: A Detailed History.

NOTE: The following is a summary of a 200 plus page resource document: "Detailed History of Whare Ora" and all information is from official Hospital/Area Health Board and Whare Ora Society records.

2.1 THE EARLY YEARS.

1924

Whare Ora built by members of the Brethren faith as a home for the aged.

1934

Whare Ora building purchased by Sir Thomas Duncan and operated as a private hospital.

1946

Whare Ora building sold to Wanganui Hospital Board after the Health Department forced it to close as a private hospital.

1958

1st Closure Attempt

Closure sought due to shortage of staff - averted when local MP assisted in finding a replacement.

1966

2nd Closure Attempt

Closed for 10 weeks due to staffing difficulties.

1969

3rd Closure Attempt

Shortage of staff.

20 October 1975

4th Closure Attempt

Whare Ora closed for 3 months due to staffing difficulties.

20 November 1975

Whare Ora Reopens

Due to the efforts of the people of Hunterville the Board resolved on 28 October to reopen the hospital as suitable staff had been found.

2.2 THE FIRST MAJOR FIGHT 1975 - 1977

The 5th Closure Attempt

In December 1975 the Board intimated to the Society that Whare Ora could be closed for good in the new year.

In January and February (1976) Hunterville people held meetings that determined that "it is clear beyond any doubt that the citizens of Hunterville wish to retain their hospital"

Hunterville representatives met with the Board to present their views against the closure.

On 7 May 1976 the Board closed Whare Ora "for a period of up to six months" and applied to the Health Department for permanent closure. The closure was sort due to staffing shortages.

Birth of the Save Whare Ora Action Committee

In May a committee was formed from people of Hunterville and district.

Deputation to the Minister of Health

On 15 June a Hunterville deputation visited the Minister.

Public Meeting

On 15 July the Whare Action Committee called a public meeting at which the Board Chairman, Chief Executive and 2 Board members attended.

The Board Chairman stated that the Board members attended "purely as a matter of courtesy"

The Meeting resolved to form an incorporated society for the purpose of running the hospital.

Hospitals Advisory Council Committee visit

The Minister of Health referred the Whare Ora issue to the Hospitals Advisory Council (HAC) which formed a sub committee that visited Hunterville on 13 August 1976.

This sub committee consisted of:-

Mr West - Chairman Hospital Board Association
Professor Seddon - Obstetrics and Gynaecological specialist

(Dr Dowden - Assistant Director of the Hospitals Division of the Health Department also attended)

HAC Report - released November 1976.

Report recommended "that the medical, social and economic welfare of the district justified the expense of renovating the hospital to the required standard and maintaining it as a maternity hospital."

Board's response

On 3 March 1977 the Board wrote to the Director General of Health recommending "that the reopening of Whare Ora be reconsidered in view of the high cost of refurnishing this hospital."

Stated that if the hospital is to be reopened the Board will need an additional grant to cover this expenditure.

Department of Health response

On 31 March 1977 the Department of Health wrote to the Board confirming that Whare Ora should reopen and that if the Board over expends it yearly allocation because of the expense of refurnishing Whare Ora then "a supplementary grant will be favourably considered."

Whare Ora Hospital Society Incorporated Formed - October 1977

Whare Ora Reopens

On 21 November 1977, after considerable effort by the people of Hunterville to obtain staff (one was obtained from England), the hospital opens under a temporary private hospital licence.

Staffing Difficulties

In April 1978 the Board informed the Society that since Whare Ora's Sister in Charge was now residing in the Hospital that from the first of June the registered nurses must be replaced with nurse aids. The Society stated that this had been their wish before the hospital opened but that the Board executive would not allow them to employ nurse aides. The Board also stated that the Society could only employ their relief midwife 2 days a week.

In May the Board stipulated that if the Society continued with the present Whare Ora staffing arrangements then the Society would have to pay the difference between the salaries of registered nurses and nurse aides, and the difference between a Midwife's and nurse aides salary for the 3 days a week the relieving midwife was working as a nurse aide.

In June the Board put the matter of Whare Ora's staffing in abeyance "until such time as an overall decision on staffing of all the Board's maternity hospitals is finalised."

6th Closure Attempt

In a letter, dated 14 September 1978, the Board Secretary advised the Society that at the next Board meeting the "a discussion will take place regarding the proposal to close Whare Ora hospital."

"The basis of this being the extraordinary high cost of running this hospital."

Should this proposal be adopted "an assurance is given to Miss Whatmore and Mrs Henry that suitable positions will be found by them."

Closure averted

By November the closure was prevented as the Board backed down when the Whare Ora staff "stated unequivocally that they would not work anywhere else", and when it was exposed to the Health Department that other Board peripheral hospitals (especially Taihape) were not adequately staffed.

Visit of Professor Bonham

On 19 December Professor Bonham visited Whare Ora as part of a visit by the Maternity Services Committee to the Wanganui Hospital Board Area.

"Professor Bonham supposed that Whare Ora was a model small maternity unit but he wondered if it justified the expense!"

2.3 THE SECOND MAJOR FIGHT 1979

7th Closure Attempt

On 17 May 1979 the Board resolved at its meeting to close Whare Ora (and Abbotsford, Waverley) for 3 months beginning 1 September 1979 and that further application be made to the Minister of Health for permanent closure.

On 19 May at a meeting between the Board Chairman and Secretary, and the Society, the Society was informed that the Board was required to cut their expenditure by 1% and that in the light of the Bonham Report the Board had no option but to close whare Ora and Abbotsford and not reopen Waiouru.

Authors Note: The Bonham report did not suggest the closure of Whare Ora, but at the time the Society had not obtained a copy of the said report.

During the months of May and June the Society and the people of Hunterville mounted an extensive campaign through the media, and in letters to the Board, the Minister of Health and the Hospitals Advisory Council in an attempt to prevent the closure.

Hunterville Public Meeting

On 18 June a public meeting was called by the Society and attended by 200 people.

Hunterville Delegation to HAC

On 19 July a Hunterville delegation attended the HAC meeting.

Hunterville Petitioned Parliament - 7 August

Whare Ora Reprived

On 8 August the Minister of Health informed the Board that he has received the recommendation of the HAC and that they recommend Whare Ora should remain open.

"Although in terms of the Hospitals Act I have no authority to reject the recommendation of the council I concur with it."

The 1986 HAC report gives an account of this HAC recommendation and says "The HAC held that there had been no change in circumstances since it's last investigation in 1976...."

Board challenges the Ministers Directive

On 9 August 1979 the Board's Chief Executive, in a telegram to the Minister of Health states the Chairman's view that "it is not in the Board's or the Government's interest to keep this institution open" and "if further finance not forthcoming overspending by this sum most likely this year."

"Board unable to accept recommendation if addition finance not forthcoming - temporary closure 3 months from 1 September will apply."

Minister Reaffirms Directive - 10 August

"My decision stands and cannot be influenced by financial considerations in that the Board has financed this hospital within allocations up to 1978/79."

Society obtains exemption from Minister of Health

In September 1981 Whare Ora hospital received an exemption of section 135(5) of the Hospitals Act that required that the manager of a licensed hospital reside on the premises at all times.

In October the Society received clarification that their proposed "on call" system for nursing staff was permissible in terms of the Obstetric regulations (1975)

Society buys section

The Society's aim was to buy and move a house onto this section to provide accommodation for one of Whare Ora midwives.

2.4 THE THIRD MAJOR FIGHT 1984

8th Closure Attempt

The Background

Paper by Dr Hartfield - Board Obstetrician and Gynaecologist.
"Obstetric and Gynaecological Work in the Wanganui Hospital Board Rural Hospitals: A Paper to Stimulate Discussion." (January 1982)

On 28 September 1983 the Minister of Health requested that the Wanganui Hospital Board undertake an overall review of Obstetric/Maternity Services in its area as the first priority in the total review of its services.

As a result the Board formed an Obstetric/Maternity Review Committee chaired by Mr Hartfield.

Board Members convened committee's in each community in the Board's area to discuss local needs and made submissions to the Obstetric Review Committee.

"OBSTETRIC SERVICE PLAN - FIRST DRAFT" released in July 1984.

This 198 page draft plan was produced as a result of the Obstetric Review Committee's study of the Board's maternity service and discussions with and receipt of submissions from the local community committees.

The "Draft Plan" recommended the closure of Whare Ora and Abbotsford hospitals.

Public Meetings

A) 13 August 1984

Public Meeting called by the Save Whare Ora Action Committee, held in Hunterville and attended by 190 people, passed a vote of no confidence in the Board's Obstetric service review committee which produced the draft plan as:-

- it contained inaccurate factual errors
- the committee could be seen to be biased as it was composed of Board members or employees.
- that the review failed to grasp the main and salient points put forward by the Save Whare Ora Action Committee.

B) 22 August 1984

Public meeting of the Board's Obstetric Review Committee and the Hunterville community.

Huntermville delegation to Minister of Health - 27 August 1984.

Special Board Meeting - 25 October 1984

Held to discuss the final plan of the Obstetric Review committee. Board resolved to apply to the Minister of Health to cease funding Whare Ora and Abbotsford hospitals.

Frail Ambulants at Whare Ora

In November 1984 the Society received their licence for 3 Maternity beds (down from 5) and permission for 2 Frail Ambulant beds for Whare Ora from the Health Department.

Petitioned Parliament

On 7 February 1985 a petition of Whare Ora and 740 others was sent to the Parliamentary "Health and Welfare Select Committee"

Hospitals Advisory Council sub committee visit

In response to the Board's request to the Minister of Health to cease funding Whare Ora and Abbotsford hospitals the HAC appointed a 3 person committee to visit the Wanganui area.

On 20 and 21 March the HAC Committee visited Huntermville.
Dr Frank Rutter - (Chairman) Auckland.
Mrs Joan Velvin - Hawkes Bay Hospital Board.
Dr Tom Fiddes - Otago Obstetrician.

On the 20th a public meeting was held at which 450 attended and on the 21st the committee visited the Whare Ora hospital.

Huntermville delegation to Select Committee

On 8 May the Society addressed the Health and Welfare Select Committee. (Mrs Annette King MP was one of the Government members.)

Society opens Pensioner units

On 26 May the first 3 Whare Ora Pensioner units were officially opened.

HAC Meeting

At the 7 August HAC meeting it was recommended that the Board be permitted to discontinue Abbotsford's funding.

Due to a number of concerns they agreed to defer making a recommendation on Whare Ora for 6 months.

9th Closure Attempt

On the 15 August 1985 the Medical Officer of Health threatened closure of Whare Ora as "acting manager not qualified in all respects".

Closure averted by efforts of the Society.

Wanganui Area Health Board formed

On the 1 October the Wanganui Hospital Board merged with the Wanganui District Office of the Department of Health.

HAC conveys committees concerns

On 3 October the Chairman of the HAC wrote to the Society and the Board informing them of the councils "concerns".

- lack of inservice training for Whare Ora nursing staff
- cessation of obstetric referrals to Wanganui and the consequent cross-boundary referrals to Palmerston North (Different Board)
- breakdown in communication and normal professional relationship between Whare Ora and Board staff.

October 1985 - April 1986

The Society wrote to the HAC outlining their efforts to meet the HAC request but pointing out that obstetric referrals were still going to Wanganui but that those who choose to go to Palmerston North should be allowed to do so.

The Board wrote to the Society stating that it would "endeavour to meet all requirements of the HAC.

Letters to the HAC from the Board and Society show a difference of opinion about the amount of progress made. The Society reported positively, whereas the Board stated with regret that relations had "returned to their former level" and that the Society had made little effort in the area of inservice training.

HAC Meeting

At it's 4 June 1986 the HAC again discussed the Board's proposal to withdraw Whare Ora's funding and due to "disparities between the Board's and the Society's views" the investigating committee was reconvened.

On 9 September the HAC committee met with the Society and the Board.

Society opens 3 more Pensioner units - 14 December 1986

10th Closure Attempt

In November 1987 the Board released a comprehensive 195 page "Strategic Plan: Draft for discussion."

The phrase "Withdraw funding from Whare Ora Hospital" appeared at least 13 times - in every 'option' for maternity services.

The Society and Hunterville community swamped the Board with submissions.

Midwife arrives from England

In November 1987 the Society obtained a replacement midwife for Whare Ora after they advertised in England.

Board requests Whare Ora closure clarification

From November 1987 to January 1988 the Board's Chief Executive Officer wrote three times to the Minister of Health requesting clarification of the status of the Board's application to withdraw Whare Ora's funding.

HAC Recommendation

On the 8 March 1988 the HAC wrote to the Board recommending Whare Ora remain open. The Council stated that since the Board was now an area health board there was "no legal reason for the Minister of Health to determine whether or not your board should continue to provide funds for the on-going operation of Whare Ora Hospital."

The Council suggested that one way around the funding difficulties was for the board to "fund up to the average cost of births at other Board institutions with the community making up the difference."

HAC Committee Report (to 1985 HAC meeting)

In this report (not released until 1986?) the Committee identifies that the 3 attempts by the Board to close Whare Ora since 1976 had "frustrated long term planning by the Society and has built up a sense of persecution leading to tension between the Hunterville and Wanganui communities.

The committee praised the work of the Whare Ora staff and commented on the Hunterville GP's above average standard of service but expressed concern at the midwives level of ongoing experience.

"On balance, the committee considers that the standard of obstetric service provided at Whare Ora Hospital is above average and that the closure of the hospital cannot be justified on clinical grounds.

2.5 WHARE ORA OBTAINS REPRIEVE 1988

Special Board Meeting

At the special Board meeting on 22 March 1988, called to discuss the Draft Strategic Plan, the Board resolved to rescind its 25 October 1984 to no longer fund Whare Ora Hospital, with the following conditions.

- i) continue to supply a maternity service for 5 years or until Dr Thomson leaves - whatever is the sooner.
- ii) specialist obstetric referrals be to Wanganui not Palmerston North whenever possible
- iii) "that Whare Ora be funding equivalent to the average cost of rural births at the Board's other rural institutions for each birth, with the local community meeting the difference, as suggested by the Chairman of the HAC. This to be implemented in the 1989/90 financial year to allow a 12 month lead in time.

Dr Thomson expresses concern at Board's conditions

Dr Thomson expressed concern that the Board's clause would mean Whare Ora funding would cease if he left. He stated that this put him in an impossible position and suggested that if a GP of equal or better qualification replaced him that Whare Ora's maternity services should be maintained.

On 28 June the Board resolved to alter the resolution so that if Dr Thomson left the situation would be re-evaluated in the light of his successors skills and enthusiasm for obstetrics.

Huntermville Community Health Watch Committee formed

In October 1988 the Huntermville resolved to form a separate Huntermville committee (formerly they were part of the Southern Rangitikei Health Watch Committee)

The implementation of the Board's decision

Between November 1988 and February 1989 numerous meetings were held between Board Management and the Society to discuss the proposed funding of Whare Ora.

The Society was informed in January that Whare Ora's maternity funding would be approximately \$50,000 (down from the budget of \$170,000) based on the "average cost of rural births."

The Society questioned the accuracy of the calculations especially in relation to Patea.

Board management reported to the Board that the Society agreed that if funding was to proceed on this basis then Whare Ora would have to close.

Whare Ora given further 3 months

Board resolved to extend Whare Ora's funding until 30 June at the present levels and that meetings with the Hunterville Community Health Watch Committee, the Society and the Hunterville community be called to discuss the health services in Hunterville, it's needs and it's future direction.

The Board's Management suggested doing a study into the health needs of the Hunterville area and in response the Society offered to do a strategic plan of the Hunterville and District to identify present and possible health services.

Hunterville Strategig Plan

The Hunterville community produced a "Strategic Health Plan" and "addendum" and these were sent to the Board with enough copies for all Board Members and Management.

In the "addendum" the Society offered to provide a range of services, including maternity services, under contract for a fixed cost of \$145,000 per annum. Maternity services were put at \$50,000 and other services at \$95,000 with the costs held for two years.

Society was invited to attend and address 1 June Board Meeting to discuss Hunterville's health services.

2.6 THE FINAL FIGHT 1989

The Board's Press Release

On the 1 June, the *Dominion* and *Wanganui Chronicle* newspapers ran front page articles about the Board discussions to be held that day on the future of Whare Ora. These were based on a Board Management Press release. The information stated the cost of Whare Ora had been \$158,000 in the last financial year for 21 births.. "in simple terms around \$7,000 per birth" compared with Waiouru at \$3,800 and the average cost per birth in the Board's other rural institutions of \$1,800.

Press release highlighted the Board Managements plans for closing the hospital and provide community based services.

Board Meeting 1 June 1989

Huntermville deputation spoke (20 minutes) to "Huntermville Strategic Plan" and asked for the funding as outlined in the addendum to the Plan.

Board Management spoke for 1½ hours on why Whare Ora's maternity funding should cease and proposed replacing the inpatient maternity service with community services.

New services proposed (\$70,000) [See Appendix 1]

- a full time community resource nurse
- a part time community midwife
- input from Maori community health worker
- increased input from board-wide services
- increased car availability.

The Managements proposals were implemented, to take effect 1 October 1989.

Community Health Watch committee criticises Board decision

On 5 June the Huntermville Community Health Watch committee met and moved that they "request that the Board censure management for deliberately releasing a press release containing misleading statistics likely to be prejudicial in the outcome of a matter to be discussed by the Board immediately after the said release was made."

Auditor General approached

Denis Marshall MP wrote to the Auditor General asking that he investigate the financial operations of the Board in relation to the Board's decision to close Whare Ora and Waiouru hospitals and in the light of a recent Audit Office report that "hospitals lacked reliable information on which to make good management decisions.

Save Whare Ora Committee reformed

This committee was formed out of the Society "Committee of Management" and representatives of Hunterville community groups.

Board reacts to Health Watch committee's comments

At the 29 June Board meeting the Board reacted angrily to the Hunterville Community Health Watch Committee's statements (5 June).

"It was suggested that perhaps the Board should point out that it has a responsibility to a larger group of people who happen to be rather more disadvantaged than the upper middle-class who dominate this area."

"Mrs Bourke stated she felt that Hunterville CHWC had lost their direction, and that Leonie Belmont was abusing her position as Chairman of that committee. Mrs Bourke felt the Board should point out very clearly what the committee's role was and that use of this medium to attack the Board is unwarranted."

"Mr Beetham had some objection with the line of argument that the Whare Ora people used. Basically they are arguing for a continued excess level of spending, on what is essentially a well-to-do rural upper class community. He felt that some of this money could be spent in areas of disadvantage."

Meeting between Board Chairman and Hunterville representatives

On 30 June, at the invitation of Hunterville, the Board Chairman attended a meeting at Hunterville of the Whare Ora Action committee.

The Board Chairman was responding to a request for the whole Board to come (but not the Board Management).

The Board's General Manager, Deputy General Manager and Manager of Community Services were also in attendance.

The Board chairman had agreed to come "to listen" and "discuss Whare Ora Maternity services".

When the Board Chairman was not given an early opportunity to speak she demanded to be allowed to. When asked to wait for the Hunterville people to speak she refused, stood up and left the meeting after only twenty minutes of the mutually agreed hour had passed.

Wanganui Chronicle Front Page Headlines: 1 July
Walk-out angers Whare Ora committee and Board Chairman 'shattered' by meeting attitude.

At the 13 July Board meeting the Chairman stated that she "never had, and never would walk out from a meeting."

Request for Hunterville delegation to Minister of Health

On 4 July the Dominion President of Federated Farmers wrote to the Minister of Health requesting she meet a Hunterville delegation.

Venn Young MP (Waitotara) wrote to the Minister of Health

Request to meet delegation made in letter dated 18 July.

Minister of Health refuses to meet delegation

At the end of July the Minister refused Mr Young's request saying that "decisions concerning the method of delivery of particular services, and decisions on the appropriate use of particular institutions are very much issues for local management."

"I cannot at one time demand responsible management from boards and then interfere in management decisions."

Redundancy negotiations

During August efforts were made by the NZ Nurses Union to obtain redundancy payments for the Whare Ora staff from the Society with the Board saying that they were the responsibility of the Society as the legal employer. The Society responded that they were only agents for the Board and eventually the Board agreed to pay them.

Minister of Health refuses second request

On the 10 August the Minister of Health refused the Federated Farmers request.

"I cannot, at one time, demand responsible management from boards and then interfere in management decisions about particular institutions."

Whare Ora Protest Rally

On 13 August a Whare Ora Protest Rally was held across half of the State Highway in Hunterville. The rally was attended by over 1000 Adults and children, involving speeches, banners, balloons, and placards with the main messages "Have a Baby in Hunterville", "Stop cutting Health Services" and "Stop the Rural Rot".

Covered briefly on the TV1 news that evening, in the Wanganui Chronicle and Dominion newspapers, with a two page article in the Dominion Sunday Times the next Sunday.

MP request to Board Chairman for meeting

In a letter dated 25 August Venn Young MP asking for a meeting between Denis Marshall, 2 Hunterville representatives and himself, with the Board Chairman, the Chief Executive and any Board member who would be available.

Letter to Minister of Health

On 25 August a letter was sent on behalf of the Save Whare Ora committee to the Minister of Health giving more details of the issue and asking the she reconsider her decision not to meet a delegation, as the Board had not been acting in a responsible manner.

Meeting with Annette King MP Horowhenua

On 1 September two Hunterville people attended a regular MP meeting between Manawatu/Rangitikei Federated Farmers and Mrs King. Mrs King was one of the Government members on the select committee that heard the Society's petition in 1984 and expressed interest in Whare Ora when she heard about the Board Chairman's "walk out" meeting from the Federated Farmers Provincial President who had attended the said meeting.

Subsequent to this meeting Mrs King contacted the Minister of Health and requested a meeting.

Board Chairman refuses MP's request

In a letter dated 4 September the Board Chairman stated "there is no purpose in meeting Hunterville representatives."

Venn Young MP replies to Board Chairman

Mr Young wrote back expressing "astonishment" at her refusal, expanded further on the reasons why a meeting was necessary and asked her to "urgently reconsider" her decision.

Wanganui Chronicle article

"Beetham fights for maternity units"

In an article on 6 September Bruce Beetham (Board representative for Marton and Candidate for the Rangitikei seat on the new Manawatu/Wanganui Board) said that the retention of Rangitikei's two maternity units at Taihape and Marton was vital.

He implored the people of Hunterville to give up their fight, as Whare Ora's retention would place the other two in jeopardy.

Venn Young MP makes further request to Minister of Health

In a letter dated 7 September Mr Young asked that the Minister of Health meet a Hunterville delegation, enclosing his correspondence with the Chairman of the Board, her reply and his further request. He stated that "since the board will not meet the Hunterville people, I believe the Minister of Health should.

Minister of Health replies to Annette King MP

"I do not believe it would be appropriate for me to meet representatives of the Hunterville community over this issue. I believe the board has acted wisely."

Meetings in Wellington

On 13 September 2 members of the Save Whare Ora committee, an ex Whare Ora midwife and the Provincial Executive Officer of Manawatu/Rangitikei Federated Farmers went to Wellington at the invitation of Annette King MP.

A) Annette King MP 8.30am -9.30am

The Hunterville delegation meet with Mrs King for an hour. She was shown a locally made video of the Hunterville district and Whare Ora, given detailed information on the Whare Ora situation and an explanation of the many inaccuracies contained in the Boards 1 June Agenda. She undertook to approach the Minister of Health on Whare Ora's behalf.

B) Venn Young MP

C) Bill Potaka (Health Department).

D) Meeting between Minister of Health and Dominion Executive Federated Farmers 12 noon

The Hunterville delegation briefed the Dominion Executive of Federated Farmers before they had a prearranged meeting with the Minister of Health.

At this meeting the Whare Ora situation was discussed and it was clear that the Minister was well informed of the situation.

The Minister's Executive Secretary suggested two options
i) to appoint an independent arbitrator or
ii) to leave the issue on the table for the new incoming Manawatu/Wanganui Board.

Parliamentary Question

Venn Young MP asked the Minister of Health, if she would intervene. She refused, stating that the decision was clearly one to be made locally.

She expressed concern that representatives of the Board refused to meet the local MPs, but stated that "I believe that the Board Management was to meet with the representatives of the Society yesterday and the local GP and that the Board is indeed discussing the matter today."

Minister refuses to intervene

In a letter to Save Whare Ora dated 14 September the Minister of Health declines request saying that she "expects Boards to consult with communities" and "that consultation process does not mean, though, that every decision will be congruent with what the community has said."

Society offered Peppercorn rental of Whare Ora

At the 14 September Board Meeting the Society was offered the Whare Ora building at a peppercorn rental.

This was a result of discussions between representatives of the Society and the Board's management. It had been decided at an earlier Society meeting that although the Society and Hunterville Community wanted to fight to retain maternity services that it would be wise to also continue discussions with Board management in case the Society's efforts to save Whare Ora's maternity services failed. Out of these discussions came the suggestion of the Society using the Whare Ora building as a rest home.

Save Whare Ora letter to Minister of Health

In a letter dated 18 September the Minister was informed of the situation with regard to the lease offer and pointing out that the matter of maternity services had not been discussed with the Board.

Health Department recommendation

In a Health Department Memo, dated 19 September, to the Minister of Health it was recommended that "no intervention occur at this time due to the continuing discussions between the board and both Whare Ora and local MPs. The Memo highlighted the meetings that the Society had with board management in relation to the lease and the meetings between the Board Chairman and Venn Young and Denis Marshall set down for the 29/9/89.

Wanganui Chronicle article 20 September **Decision to close Whare Ora based on false information**

In the article from Save Whare Ora the claim was made that the correctly calculated "average cost of rural births" was \$2,670, not the Boards figure of \$1,816, and thus the proposed grant should have been \$61,677 and not \$41,960 as shown in the Board's 1 June Agenda.

Board Response

The Board's General Manager released a press statement, that was also sent to the Minister of Health and Health Department, in which the Board rejected the claim. (Details in Financial Information section)

Board meeting with Minister of Health

On 26 September the Board Chairman and the Minister of Health meet and discussed Whare Ora while they were both in Taumaranui for the opening of a new maternity building?.

The Society had no knowledge of this meeting and it was only when the official Board records on Whare Ora were obtained that Board briefing notes for this meeting were found.

Considerable details of Whare Ora were included in these notes, including much of the past incorrect information.

Telephone conversations with Health Department and Health Minister's Officials 28 September

A) Health Department

Federated Farmers Head Office Legal Advisor talked with Mr Potaka and was informed the Health Department gets their information from the Board and that the Society would have to supply evidence that the Board's information was incorrect.

B) Minister of Health's Office

The Legal Advisor talked with the Minister of Health's Executive Secretary, who indicated that the Minister would not intervene and that maternity services at Hunterville would cease because the hospital does not come up to scratch. She stated that the building required considerable capital expenditure.

The Federated Farmers Legal Advisor later attempted to contact the Minister's Executive Secretary to refute these statements but when he called she was always "not available". A letter that he sent on the matter was never answered.

Conference Call

On 29 September a conference call was organised between Peter Butler (Health Department), Federated Farmers Officials and the Author. An attempt to involve the Minister of Health's Executive Secretary failed.

Peter Butler stated that the Minister and Department were aware of the "problems out there" and were aware of the "substantial challenges" to the Board's figures. However the Minister would not intervene and further more the Minister "had no power to intervene".

He stated that we were looking for a political solution where we had a legal solution available to us. "The democratic process exists through the ballot box and the Courts."

MP Meetings with Board Chairman 29 September

When the Board Chairman refused to meet the MPs, if they brought Hunterville representatives, Venn Young and Denis Marshall agreed to meet with her anyway. In her 4 September letter the Chairman stated that first dates she had free were 27 and 29 September but because the MPs were not available at the same time two separate meetings were held.

Venn Young and Denis Marshall meet with the Board Chairman, with the Board's General and Deputy General Managers, the Manager of Community Services and two board members in attendance.

Considerable discussion occurred where both MP highlighted the Board's 1988 promise and Hunterville's challenge to the accuracy of the Board's figures. Both asked the Board Chairman to give Whare Ora a "stay of execution"

The Board Chairman stated "to give them a further six months would mean that the Board would be admitting that it had made an error of judgement and this was not so."

Whare Ora Society Meeting

At the 4 October meeting of the Society's committee of management and the Save Whare Ora Chairman it was resolved to proceed with a High Court Injunction (Interim Order) on the understanding the necessary funds to finance the action would be raised from the wider community and the Society itself would not be expected to find the money.

Board finalises Whare Ora lease offer

At the 12 October Board meeting the Board agreed to the conditions of the proposed lease of the Whare Ora building to the Society and conveyed these to the Society for consideration.

Letter from the Minister of Health

In a letter dated 6 November to the Author the Minister of Health states

"I have noted the difference between the costs calculated by you and the board. Each set of figures may be correct in its own way."

"For the future, I urge you and your colleagues to work with the board...."

Local GP agrees to deliver at Marton Hospital

On 17 November in response to the wishes of his patients Dr Thomson GP agrees to deliver babies at Marton Hospital (He had earlier stated that it was impractical, for him to do so.)

He agreed to do this on a 12 month trial if the Board acknowledged the inconvenience, and added expense to both his clients and himself, and they tendered an official, acceptable apology. (Plus other agreed arrangements with regard to delivering at Marton.)

Whare Ora Society Meeting

At the society's 22 November committee of management meeting, after a long and involved debate it was agreed to officially authorise the serving of the court proceedings on the Board under the name of the Whare Ora Society.

New Area Health Board Appointments

In December the "Retired" ex Wanganui Board Chairman and the ex Deputy Chairman of the Palmerston North Board were appointed to the new Manawatu/Wanganui Area Health Board. The latter was a defeated candidate, who was 6th out of 9 for 3 positions, and was later elected to the position of Chairman of the new board.

Whare Ora Society AGM postponed

On 5 December the Society's AGM was held but due to a strong disagreement about various issues and finally because of the low turn out it was decided to postpone the meeting.

Subsequent to this persons unknown contracted the *Wanganui Chronicle* Marton reporter claiming that the meeting had been hijacked by the Save Whare Ora Group because the Society had not sanctioned the court proceedings.

An article appeared on the front page of the *Wanganui Chronicle* headed "Hospital Society in turmoil after meet 'shambles'"

The next day another front page article headed "Court action denied by Whare Ora campaigner" in which it was pointed out that the Society had officially approved the court move and that despite differences in opinion "we were all there for the same reason in the long run."

The Boards defence lawyer sent a copy of the first article to the Society's lawyer in an attempt to delay proceedings and the Board sent a copy of same to the Health Department.

Court case held in Wellington

On 14 December Whare Ora's application for interim relief is heard in the Wellington High Court before Justice Neazor. Proceedings took all day and the judgement was reserved.

2.7 WHARE ORA BATTLE FINALLY LOST

Judgement released

On 21 December Judge Neazor releases his Judgement in which he declines the Society's application for interim relief. Costs are reserved.

Major Points

1. The Courts role

"Those responsible for the decision must answer in respect of the merits of the withdrawal of Whare-Ora Hospital's maternity services in the political arena to electors or to those who control the supply of funds. They are not answerable to the Court in relation to the merits unless it is shown that the decision was unlawful or was such that no Board which was acting reasonably could have reached it."

2. Intervention of the Minister

The judgement quoted section 37 of the Area Health Boards Act 1983 which gives the Minister of Health power to intervene, under certain circumstances, in the decisions of an Area Health Board. "There is no suggestion that the Society can rely on a direction under s 37; indeed the evidence is that the Minister has declined to become involved in the matter.

3. Accountability of Boards

"There is nothing in the legislation which suggests that the Board is under a legal obligation to consult or have regard to the views of any person or body (except perhaps a regional or united council within its district) about the provision of a particular of a particular service in its area..."

4. The status quo

In effect there was no status quo to be preserved before the Board made its 1 June 1989 decision. Board funding is at the discretion of the Board and in fact the view of the Board is the status quo.

2.8 The Epilogue 1990

Whare Ora Society Meeting

At his request the General Manager of the Manawatu/ Wanganui Area Health Board attends the May Society meeting and conveys the Boards decision to seek court costs of \$5,000 from the Society in an out of court settlement.

Society/Health Watch Committee addresses the Board

At the request of the Society the Society's Chairman and the Secretary of the Hunterville Community Health Watch Committee attended the July meeting of the Board and addressed the Board under "publicly excluded business."

They explained the background of the Society's decision to appeal through the court, and how the community was supporting the Boards newly introduced services. It was noted that the Society would have to go back to the community to pay for any costs awarded and that this would be detrimental to the Board/ community relationship.

Board makes an offer over Court Costs

In a letter dated 4 August the Boards General Manager conveyed the Board resolution that the Society be asked to pay \$1.00 as full and final settlement and acknowledge the Society's legal liability for payment of legal costs.

The Board conveyed that in reaching this decision it acknowledged the points made by the two Hunterville delegates.

[Page 47]

A HEALTH SERVICE FOR THE HUNTERVILLE
COMMUNITY

Introduction

Health services in Hunterville are synonymous with "Whare Ora" - the 3 bed private maternity hospital funded and owned by the Board and operated by the Whare Ora Society Inc.

The Board also provides community services through 2 part-time district nurses, a shared public health nurse and a dental nurse.

As part of the ongoing review of rural health services the Board's management has held meetings with the Whare Ora Society Inc Committee, the Hunterville Community Health Watch Committee, the staff of Whare Ora and the local General Practitioners. Summaries of those meetings are attached (Appendix A). At these meetings it was the unanimous view that the Whare Ora maternity services should continue.

History

The Board resolved on 22 March 1988 that

"Whare Ora be funded equivalent to the average cost of rural births at the Board's other rural institutions for each birth, with the local community meeting the difference as suggested by the Chairman of the Hospitals' Advisory Council. This is to be implemented in the 1989/90 financial year to allow a 12 months lead-in time;"

The full resolution (including the later amendment) is attached.

After six months of the last financial year the figures for the average cost of rural births were calculated and the statement was prepared and audited by the Government Audit Office.

This statement was discussed with the Whare Ora Society and recalculated based upon the costs for the whole financial year to 31 March 1989. These full year costs took into account the frail ambulant days at Whare Ora. These are detailed below and shown in full in Appendix C.

	Obstetric Days Stay	Births	Cost per Birth	Cost per Patient Day
Patea	150	19	\$1,103	\$139.68
Taihape	574	40	\$2,034	\$141.74
Waimarino	692	47	\$3,357	\$228.04
Marton	828	84	\$2,158	\$218.92
Waiouru	464	58	\$3,808	\$475.98
	2,708	248	\$1,816	\$166.35
Whare Ora	293	21	\$4,567	\$327.36

If Whare Ora was to be funded on births the funding for 1989/90 would be \$41,960, or if on obstetric days \$53,615.

Under the present Obstetric Regulations the Whare Ora Society would not be able to afford to run the hospital, if funded on this basis.

Resources and utilisation

A number of facts need noting.

Whare Ora is the most expensive of the Board's rural maternity units. Even though it is supported by an active community, the cost per birth is the highest at \$4,567 (when weighted down by frail ambulant days) and \$6,822 per birth - non weighted.

The Board is overbedded in obstetric beds, and consequentially percentages unoccupied are high and length of stay long.

In Whare Ora the percentage of beds that were unoccupied in 1988/89 was 74%. The length of stay was 14.0 days, much higher than the average of 10.9 days and the norm of around 6.0 days for busy obstetric units.

Full statistics are detailed in Appendix E.

Safety and Expertise

With the low numbers of births per year it is difficult for the interest and expertise of the nursing staff to be maintained.

Four midwives and the local General Practitioner shared 21 deliveries at Whare Ora for the financial year ended 31 March 1989.

The Obstetric Review Committee stated in its Obstetric Plan 1984 that the safety of the mother and child would not be prejudiced by the closure.

Reference should be made to the Map (Appendix D) showing distances to other obstetric facilities, at Marton, Wanganui, Taihape and Feilding.

Of the 35 births in 1988/89 to women of the Hunterville area 40% (14) were delivered elsewhere, 7 in Palmerston North and 7 in Wanganui.

The viability of the Board's obstetric services at Marton would be enhanced with the addition of the Whare Ora deliveries.

What are the alternatives?

These are:

1. Whare Ora could continue to be funded as at present - estimated cost \$170,000 p.a.
2. That Whare Ora continue to be funded as per the resolution of the Board dated 22/3/88 at approximately \$42,000 p.a.
3. That the Board enter into negotiations with Whare Ora to supply health services to the community of Hunterville.
4. That the Board organises the provision of health services in Hunterville by redirecting resources from the hospital services into the community.

Community Support

The Board's Management was impressed by the wide range of community services provided by the nursing staff and other professionals to the community through Whare Ora.

The involvement of sections of the local community was impressive and the community resolve to support their hospital was in many ways similar to the support by most rural communities intent on preserving their local identity.

The meaning of whare Ora to the community and its close identity with community moral was recognised and considered when formulating the recommendation below.

A new direction for health services in Hunterville

The Board's present economic constraints means that the alternatives for every dollar spent need to be considered. At present the Board has underutilised obstetric services and in relation to national guidelines is currently overbedded in maternity services. The Board has recently rationalised obstetric services at waiouru and its management has a similar rationalisation at Patea.

Both areas have had a higher delivery rate and were less expensive to run than Whare Ora (See Appendix F).

The Board's management believe that the following services and resources should be provided (and continue to be provided) to the Hunterville community. See List A.

LIST A

	Present / Additional Costs	
	=====	
1. A continuation of the current District Nursing Services	\$16,000	
2. One full-time community resource nurse working in public health, health education, health promotion and as a support/resource person to the community		\$35,000
3. Input from a Maori Community Health Worker		\$ 8,000
4. A part-time community midwife based at		\$15,000
5. A continuation of the dental nursing	\$27,000	
6. Input from the following board-wide services:	\$ 2,000	\$ 3,000
diabetic educator		
asthma educator		
drug and alcohol educator		
community dietitian		
7. A continuation of Meals on Wheels		\$ 5,000
8. There will still be possible on going private services of physiotherapy and podiatry		
9. Home help	\$ 1,500	
10. Car - shared use (running cost)		\$ 4,200
11. Provide an ambulance and support to volunteers	\$ 5,000	
	=====	
	\$51,500	\$70,200
	=====	

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It is recommended that:

1. The services outlined above (List A) continue to be provided and the new services be provided from 1 October 1989.
2. In line with the Board's philosophy with moving away from institutional services to community services, funding for deliveries at the hospital continue for a further three months until 30 September 1989 and then cease.
3. The Board's management enter into discussions with the Whare Ora Society to establish a new role in community involvement and health services.
4. That the resolution of 22 March 1988 be formally rescinded at the next meeting of the Board.

APPENDIX C

WANGANUI AREA HEALTH BOARD

Statement of Direct Costs and Statistics for Rural Hospitals
For the year ended 31 March 1989

	PATEA	TAIHAPE	WAIMARINO	MARTON	WAIOURU	TOTAL	WHARE ORA
Salaries							
TREATMENT	59,942	40,294	40,925			141,161	
NURSING	871,112	665,729	531,303	356,592	162,140	2,586,875	152,179
DOMICILIARY	16,664	12,111	430	68,532		97,737	
DIAGNOSTIC	12,290	12,786	22,094			47,170	
HOTEL	311,560	202,849	129,335	64,950		708,693	
ENGINEERING	169,406	49,282	27,059	11,218		256,966	
ADMINISTRATION	29,034	43,452	64,322			136,809	
	1,470,007	1,026,503	815,469	501,292	162,140	3,975,411	152,179
PLUS INCREMENTS	102,900	71,855	57,083	35,090	11,350	278,279	
PLUS SALARY RELATED	48,510	33,875	26,910	16,543	5,351	131,189	
	-----	-----	-----	-----	-----	-----	-----
	1,621,417	1,132,233	899,462	552,925	178,840	4,384,878	152,179
Supplies							
TREATMENT	3,080	6,578	1,512	1,599	1,610	14,380	761
DOMICILIARY	543	299	104	2,643		3,589	
HOTEL	50,424	33,848	29,052	17,552	405	131,282	3,456
ENGINEERING	82,882	49,557	34,926	21,605		188,907	2,045
	-----	-----	-----	-----	-----	-----	-----
	136,929	90,282	65,595	43,400	2,016	338,222	6,262
TOTAL	1,758,346	1,222,515	965,057	596,326	180,856	4,723,100	158,441
Adjustments:							
ESTIMATED DIRECT CONTRIBUTION FROM NZ ARMY					40,000	40,000	
THE TOTAL COST IS THEN EQUALLY SHARED BETWEEN THE TWO ORGANISATIONS							
	-----	-----	-----	-----	-----	-----	-----
TOTAL COSTS	1,758,346	1,222,515	965,057	596,326	220,856	4,763,100	158,441
	=====	=====	=====	=====	=====	=====	=====

STATISTICS FOR THE YEAR

PATIENT DAYS							
GENERAL	12,438	8,051	3,540	1,896		25,925	191
OBSTETRIC	150	574	692	828	464	2,708	293
	12,588	8,625	4,232	2,724	464	28,633	484
BIRTHS							
	19	40	47	84	58	248	21
						Away	14

TRIAL CALCULATION OF WHARE ORA GRANT
 THE GRANT TO BE THE AVERAGE COST PER BIRTH OF OTHER RURAL HOSPITALS

AVERAGE DAYS STAY/BIRTH	7.9	14.4	14.7	9.9	8.0	10.9	14.0
COST PER PATIENT DAY	139.68	141.74	228.04	218.92	475.98	166.35	327.36
OBSTETRIC SERVICE COST	20,953	81,359	157,802	181,262	220,856	450,476	95,916
COST OF EACH BIRTH	\$1,103	\$2,034	\$3,357	\$2,158	\$3,808	\$1,816	\$4,567

ESTIMATE ANNUAL PAYMENT BASED ON ABOVE FIGURES	PLUS GST	
CALCULATION OF GRANT TO WHARE ORA ON BIRTHS	\$38,145	\$41,960
CALCULATION OF GRANT TO WHARE ORA ON OBSTETRIC PATIENT DAYS	\$48,741	\$53,615
CALCULATION OF GRANT TO WHARE ORA ON TOTAL DAYS STAY	\$80,513	\$88,565

Appendix 3

INFORMATION RELATING TO THE AUDITING OF THE BOARD'S INFORMATION.

1. 8 June 1988. WAHB Minutes.

Meeting between the Whare Ora Society and the WAHB.

"He (the Board's Deputy General Manager) suggested that the calculation of the end sum be audited by a chartered accountant from the private sector."

2. 29 November 1988. WAHB Memo.

Memo from Board Deputy General Manager to General Manager.

"I informed Mr Thomson that the 6 months costings of rural maternity beds and obstetric days stay had been done.

These costings are being audited by the Government Audit Department..."

3. 15 December 1988. WAHB Records.

Audit report from L.H.Desborough for Controller and Auditor - General.

"At the request of the WAHB the Audit Office has audited the Statement of Direct Costs and Statistics for Rural Hospitals for the six months ended 30 September 1988 for the purpose of negotiations with the Whare Ora Hospital Society.

Our audit verified that the information was correctly extracted from the Board's general ledger and statistical returns from each rural hospital."

4. 21 December 1988. WAHB Record's.

Letter from Treasurer WAHB, to Malcolm Thomson, Whare Ora Society.

"Enclosed is an audited copy of the Board's Rural Hospital Direct Costs and Statistics with a trial Whare Ora Grant calculation.

5. 1 June 1989. WAHB Agenda.

"After six months of the last financial year the figures for the average cost of rural births were calculated and the statement was prepared and audited by the Government Audit Office."

6. 10 August 1989. Whare Ora Records.

Letter from Minister of Health to Dominion President of Federated Farmers.

"A recent analysis, checked by the Audit Office, showed that the average cost per birth was \$4,567 at Whare Ora and \$1816 for the board's five other maternity hospitals."

7. 7 September 1989. Whare Ora Records.

Letter from the Minister of Health to Annette King MP.

"The figures supplied to me by the Wanganui Area Health Board comparing the costs per birth in their other rural hospitals with those of Whare Ora were checked by the Audit Office. This analysis showed an average cost per birth in the other five rural maternity hospitals of \$1816 while the comparable cost at Whare Ora was \$4567 per birth."

8. 6 November 1989. Whare Ora Records.

Letter from the Minister of Health to the Author.

"I have noted the difference between the costs calculated by you and the board. Each set of figures may be correct in its own way, depending on the method of calculation."

Appendix 4

AFFIDAVIT OF COLIN NOEL SCOTT

C.P. NO 73/89

8. The method adopted for arriving at the cost per birth is as follows:
 - 8.1 I first established the cost per patient day by dividing the total direct costs by the total number of patient days. No weighting or differential was made between the cost of obstetric patient days and the cost of general patient days. The reason for making no distinction was that I gained nursing opinion that although obstetric patients require much nursing at the start, they require less towards the end of their stay and so would average approximately the same or less workload as other patients.
 - 8.2 I then established the total cost of obstetric services by multiplying the number of obstetric patient days by the cost per patient day.
 - 8.3 I then established the cost per birth by dividing the total cost of obstetric services by the number of births per annum.
9. The method adopted for calculating the total obstetric service cost of \$450,476 reflects the economies of scale achieved by those larger rural hospitals whose ratios of obstetric patient days to total patient days is low - for example Patea and Taihape.
10. Those economies are reflected in the costs per patient day - Patea and Taihape at about \$140 each to be compared with Waiouru (which has no general patient days) at \$476.
11. To simply add the totals across the page to produce a total cost of obstetric services for those five hospitals would be to load the cost per birth by ignoring the economies of scale achieved by hospitals such as Patea and Taihape. It is these very economies of scale that enabled Patea to service 19 Births at an obstetric cost of \$20,953 (total patient days 12,588) compared with Whare Ora funding 21 births at an obstetric cost of \$95,916 (total obstetric patient days 484).

12. The Board manages to the least cost scenario by having geriatric beds into most of the rural hospitals and therefore reducing the overall cost per patient day. I consider it artificial to extract obstetric patient day costs of running each hospital ignoring the economies of scale achieved by some of them.
13. At the foot of appendix C** at page 92 of the Plaintiff's exhibits are three different calculations of the grant to the Society. The first is based simply on the number of births.
14. The second calculation was made to meet the Society's objection that no allowance had made for 14 "away" births where the mothers delivered elsewhere but returned to Whare Ora.
15. The third calculation was made to meet the Society's objection that the calculation of grant did not recognise the other services provided by the Society, chiefly in the field of frail ambulant service.
16. Throughout the exercise of completing both exhibit H and appendix C I have endeavoured to apply simple but proper cost accounting principles and present the Board with the best information available on which to base its decisions. I deny the allegation made in the final paragraph of paragraph 54 (a)(ii) that "Board Management set out to show the widest possible gap between that average cost and the cost at Whare Ora."

** Appendix C Board's 1 June Agenda

24 October 1990

Mr Gavin Forrest
PO Box 74
Huntermville

Dear Sir

Re: Whare Ora Costing for Wanganui Area Heath Board.

I would like to add to Mr Davies letter of 17 October 1990.

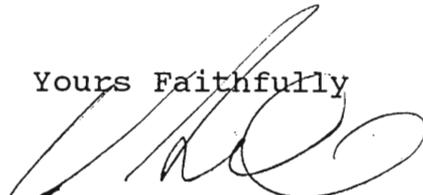
As the obstetric service is provided in different locations I decided to take a Board wide view and use the total rural costs instead of a sum of the individual institutions obstetric costs. I was further mindful that the obstetric service in rural locations is shared with geriatric services to the overall cost advantage of both.

A full justification of the costing has been given in my affidavit.

I made informed accountants decisions to arrive at a particular costing, which I consider relevant to the negotiations and decisions then taking place.

Should you require any further assistance please contact the writer

Yours Faithfully



C N Scott
Tutor

cc Mr J Boyack
General Manager, MWAHB

Mr R W Davies
Acting Hospital Manager, MWAHB

Mr N Wyse
Assistant General Manager: Corporate Support, MWAHB

Ms M Mains
Assistant General Manager: Community Health, MWAHB

Mr G Kenny
Financial Accountant: Wanganui, MWAHB

Mr K Dixon
Lecturer, Massey University

Facsimile 011-64-63-505-617

**MASSEY
UNIVERSITY**Palmerston North
New Zealand
Telephone (063) 69-099**FACULTY OF
BUSINESS STUDIES**

18 October 1990

DEPARTMENT OF
ACCOUNTANCYMr G Forrest
Box 74
HUNTERVILLE

Dear Mr Forrest

WHARE ORA FUNDING

I have reviewed the attached material. The issue seems to revolve around the selection of a method which is likely to produce the best estimate of the average cost of births at the rural institutions of Patea, Taihape, Waimarino, Marton and Waiouru given the limited data that is available about the activities and expenditures of these institutions.

There is no doubt in my mind that the weighted average of the five institutional average costs per birth (\$2670) is a better estimate of the average cost of births at these rural institutions than the calculation based on the aggregated expenditure of all five institutions (\$1816). Having said that, there are clearly many shortcomings in both methods the most striking of which is the dubious assumption that the average cost per obstetric patient day is the same as that for all other diagnostic groups.

The main reasons for my conclusion are as follows. The five institutions are clearly different in size, and likely to be different in case mix. Certainly the proportion of obstetric cases in their case mixes differs; the proportions are as follows:

Patea	1.1%
Taihape	6.6%
Waimarino	16.3%
Marton	30.3%
Waiouru	100.0%

I notice that, by and large, average cost per patient day rises as size falls, and as the proportion of obstetric patient days rises. This may be indicative of economies of scale and/or of obstetric patient days being more costly than the average for non-obstetric patient days; there might also be another 1000 reasons for these differences. The point is that the case and cost structures at each institution are different and so a better estimate of the average cost per obstetric patient day is likely to be obtained by analysing each institution's costs separately rather than using their aggregated costs. In the latter case, the large Patea institution dominates the aggregate costs being 37% of the total, yet its case mix includes only 1.1% of obstetrics and these represent less than 8% of births in all five institutions.

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Using "organisation"-wide averages to apportion costs to a cost objective is a common practice in industry and commerce despite its many critics and obvious shortcomings. It has persisted probably because the perceived benefits of

2.

obtaining more detailed organisational unit costs in order to apportion costs more accurately has been less than the perceived costs of obtaining such information. However, in the case under discussion detailed costs about each unit (institution) are available, and therefore, should be used. I am at a loss to explain from a purely technical standpoint why the organisation-wide method of calculating the average cost of births at the rural institutions has been persisted with.

Yours sincerely

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

KEITH DIXON

=====
==

16th October, 1990

Mrs. M. Mains,
Wanganui Hospital,
WANGANUI

Dear Margot,

I refrained from trying to use your title, as I don't seem to be able to keep up with the current nomenclature.

It is now almost twelve months since we discussed deliveries, when I agreed to give a twelve-month trial to delivering babies in Marton. In short, I have found the situation frustrating and unsatisfactory, due to a number of factors.

One problem is that although Kathy Thompson has visited Marton as agreed, she has been limited by the fact that she has not been accepted as my spokesperson there, though I have made it clear that that is what I expected. I do appreciate some of the reasons behind this, but this has still meant that I seem to lose my patients once they are delivered, till I am summonsed to discharge them. This is such a change to what used to occur here that I find it frustrating, and regressive; certainly not progressive.

This is not meant as a criticism of the Marton staff, with whom I feel I relate well. It is a reflection of the situation.

Therefore, It is no surprise to me that a fair proportion of my clients, instead of swelling the Marton statistics, have opted to have delivery at Wanganui, Feilding or Palmerston North. They are a long way from their home community, but the same can be said for Marton, too. The result is that I lose intrpartum contact completely, and Marton is no better off. I also lose a fair proportion of my maternity income.

Also, as anticipated, after finding that several babes were delivered while I was travelling down to Marton, I am now called in "plenty of time", which means up to three hours, or more, away from Hunterville. Again, this is not meant as criticism of Marton staff.

Anticipating some problem, I have already advertised my practice for sale throughout New Zealand. I had stated that the removal of obstetrics would make it unsaleable. It appeared that Mrs. Bourke was quite unprepared to listen to any argument that may go against her desire to close Whare Ora, and Mr. Hartfield seemed quite disinterested. False statements they made to the Hospitals Advisory Council have shown that.

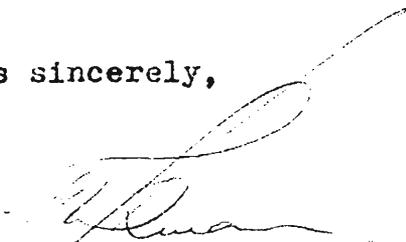
My fears were not unfounded. There has not been one enquiry

for this practice over a two-three month period.

The practice will, however, remain on the market, and as soon as I return from an exchange that I have arranged (January to June, 1991) I shall make further efforts to find someone else who is either more prepared to do the travelling to and from Marton for the remuneration of mileage, or who will take on the practice without intrapartum obstetrics. I'm too involved with the community to stop this service I have started. I wish to leave the whole unsatisfactory situation.

When we last spoke we also discussed primary health care. I wrote suggesting that the primary health carers, especially the G.P.'s, would have something to contribute. I am aware that this move was seen by some Area Health Board personnel as an indication that I wanted to control what happened in the Hunterville area - a gross misinterpretation by people with no ability or wish to sort out motives. But is that why there has been no consultation with G.P.'s since?

Yours sincerely,



N.P. Thomson

Copy

Mrs. K. Thompson
Community Midwife
Hunterville