



New Zealand Blood Service

Briefing for Incoming Minister

September 2014
Commercial in Confidence

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1.0 EXECUTIVE SUMMARY

Established in 1998, New Zealand Blood Service (NZBS) is the only provider of blood and blood products and tissue typing services in New Zealand.

Blood is collected from approximately 112,000 voluntary non-remunerated donors throughout the country either at one of our nine leased static sites or at temporary mobile collection venues up and down the country. Eligibility criteria for donation are available on the NZBS website (www.nzblood.co.nz/give-blood/donating/am-i-eligible) and approximately 4% of the population are blood donors.

NZBS employs close to 500 full-time equivalent staff. The majority are either nursing or laboratory trained. Safety is a key focus for the organisation.

Funded on a fee-for-service basis, NZBS has an annual budget of \$108M. NZBS works closely with its customers, the District Health Boards to ensure appropriate blood and blood product utilisation and availability of product at all times.

NZBS has key relationships with regulators Medsafe IANZ (International Accreditation New Zealand) and with CSL Behring in Melbourne, Australia who fractionate plasma collected in New Zealand into a range of blood products which are returned to NZBS for distribution throughout the country.

2.0 OVERVIEW

2.1 Background

The New Zealand Blood Service (NZBS) was established in 1998 and is a Crown entity established under the New Zealand Public Health and Disability Act 2000. Its primary purpose and core activity is the safe, timely, appropriate and efficient provision of blood, blood products and related services to clinicians for the people of New Zealand. In addition to this NZBS provides transfusion medicine advice and related services which include matching of patients and donors prior to organ/tissue transplantation, provision of Tissue Banking and Stem Cell services and support to the New Zealand Bone Marrow Donor Registry (recruiting donors and matching patients who require bone marrow/stem cells with donors). Safety is the cornerstone of everything that NZBS does and this is reflected in the quality of blood and blood products available to patients in New Zealand.

NZBS is a Crown agent for the purposes of the Crown Entities Act 2004. Pursuant to section 7 of the Crown Entities Act 2004, NZBS is required to give effect to Government policy when directed by the responsible Minister, the Minister of Health.

2.2 Core Functions

The core functions of NZBS are specified in section 55 of the New Zealand Public Health and Disability Act 2000 (NZPHD Act) and subsequent Gazette Notices to that legislation.

The key function of NZBS identified in the NZPHD Act is:

To manage the donation, collection, processing, and supply of blood, controlled human substances, and related or incidental matters, in accordance with its statement of intent (including the statement of forecast service performance) and (subject to section 65 of the NZPHD Act) any [Ministerial] directions given under the Crown Entities Act 2004.

NZBS adheres to the fundamental principles contained in the New Zealand Health Strategy. In particular:

- NZBS provides blood, blood products and services to healthcare providers, thus contributing to the good health and well-being of all New Zealanders throughout their lives;
- NZBS delivers timely and equitable access to blood and tissue products and related services to all New Zealanders regardless of ability to pay;
- NZBS maintains a high level of public confidence;
- NZBS involves consumers through liaison with hospitals and recipient groups;
- The special relationship between Māori and the Crown under the Treaty of Waitangi is recognised through the NZBS Māori Responsiveness Strategy; and
- As a national entity NZBS seeks community involvement on key issues through consultative processes.

2.3 Key Relationships

NZBS has relationships with a number of different stakeholder groups (other than the Minister of Health). Key relationships exist between NZBS and: donors; DHBs and their patients; private hospitals; other users of blood products and services; the National Haemophilia Management Group; the Ministry of Health; CSL Behring; patient advocacy groups (namely Leukaemia and Blood Cancer NZ, Haemophilia Foundation of NZ and Immunodeficiency Foundation of NZ) and individual NZBS employees. The expectations of these stakeholders are assessed by a variety of means including regular contact (through routine service delivery and associated activities), focus group meetings and programmes, and documented requests and requirements.

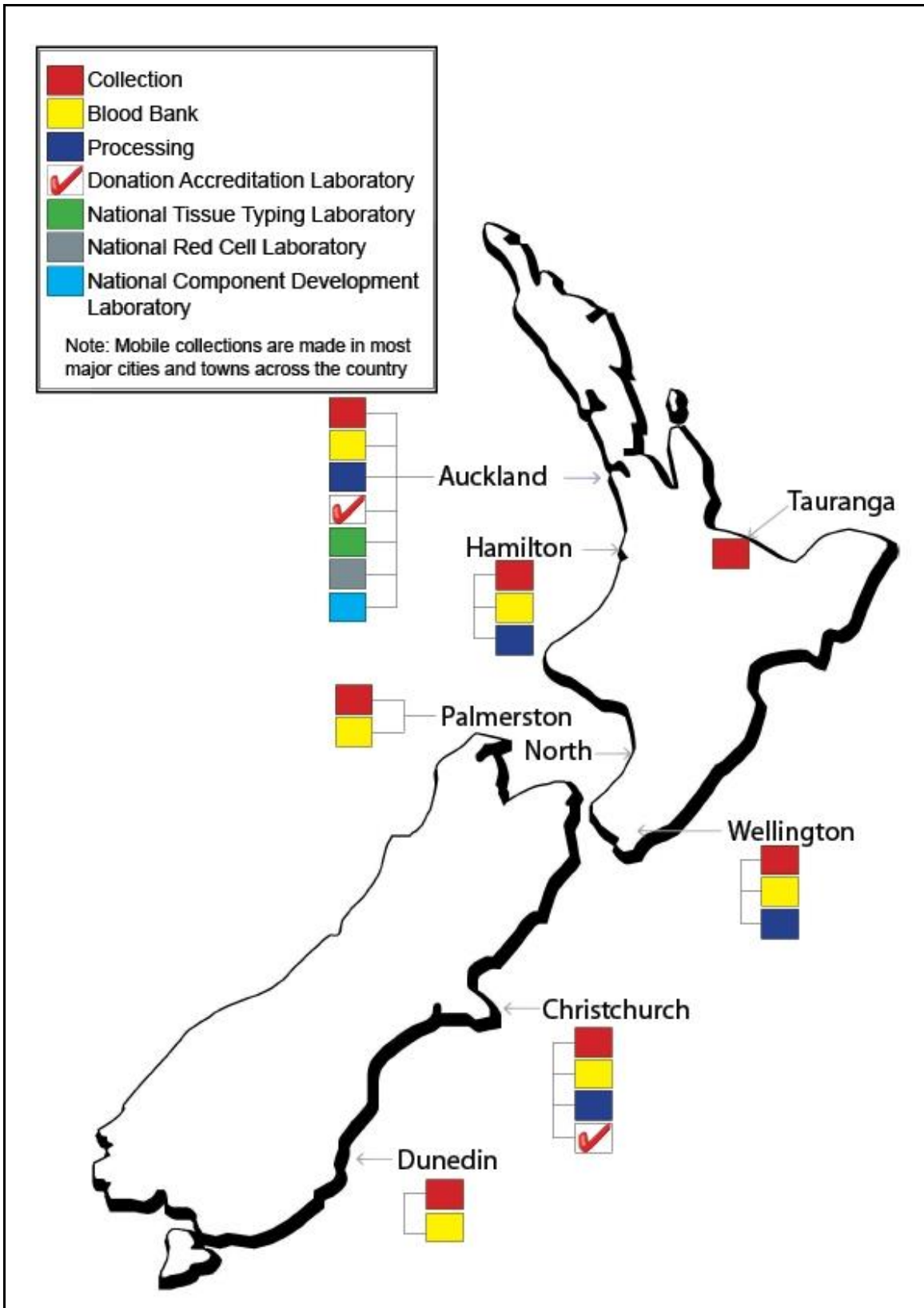
2.4 Governance

NZBS is governed by a Board appointed by the Minister of Health (see Appendix 1 for Board member profiles). Current Board members have a range of appropriate and complementary skills and experience to govern what is a very complex technical manufacturing entity. NZBS forecasts and reports on performance to the Minister of Health through the Sector Accountability and Funding Directorate of the Ministry of Health.

The NZBS Board performs the roles and responsibilities of a Crown Entity board as defined in the Crown Entities Act 2004 and its 2013 Amendment.

3.0 OPERATIONAL STRUCTURE

3.1 New Zealand Blood Service locations



NZBS was established in 1998 to integrate the former hospital based blood services into a single national organisation. NZBS maintains four major collection hubs (Auckland, Waikato, Wellington and Christchurch) supported by two collection co-ordinating centres (Palmerston North and Dunedin) and regional static collection sites in Manukau, Takapuna and Tauranga. Regular mobile collections are also made in towns and regions across New Zealand. Donor Services staff are responsible for recruiting donors and carrying out all blood collection activities.

Technical Services staff are responsible for the testing and manufacture of blood and blood products including donation accreditation testing which is carried out at two sites (Auckland and Christchurch). These sites are set up to support each other in the event of equipment failure or other interruption of service including civil defence or other emergencies. Blood donation processing occurs in Auckland, Hamilton, Wellington and Christchurch. NZBS directly manages the hospital blood banks for six major (tertiary) DHBs and provides support to all other hospital blood banks who utilise the NZBS electronic Blood Management System, eProgesa.

A comprehensive range of diagnostic testing and support services is also provided to DHBs and other health sector customers across New Zealand. NZBS operates New Zealand's only tissue typing service from its centralised national laboratory in Auckland. This laboratory provides key testing and assessment services to DHBs undertaking organ and haematopoietic stem cell transplants. New Zealand's only Skin Bank is sited at the Auckland national laboratory and Bone Banks are located in Auckland, Waikato, Palmerston North, Wellington, Christchurch and Dunedin.

All facilities are leased. The new Blood Centre in Christchurch has been designed and built in partnership with Ngāi Tahu Property Limited and will be officially opened in November 2014. Refurbishment is also underway in partnership with the Auckland landlord, the Dilworth School Trust Board, to future proof this facility; ensuring it is fit for purpose for the next 20 years as technologies change and that the requirement for additional donors (to meet the growing demand for fractionated product) can be accommodated in a Good Manufacturing Practice (GMP) compliant environment.

3.2 Key organisational metrics

NZBS is a demand driven organisation that is expected to operate in a financially responsible manner as defined by S51 of the Crown Entities Act 2004. This requires all of the organisation's costs to be recovered through the pricing of products and services it supplies to its customers – primarily the District Health Boards. The current annual NZBS budget is \$108M.

In 2014/15 NZBS will send 58,800 kg of frozen plasma collected throughout New Zealand to CSL Behring in Broadmeadows, Melbourne, Australia under toll fractionation contract into a number of products which are returned to NZBS for distribution.

Medsafe regulates NZBS manufacturing and collection sites (governed by the standards of GMP). NZBS laboratories conducting medical testing are accredited and operated in accordance with IANZ (International Accreditation New Zealand) standards.

NZBS employs close to 500 full-time equivalent staff – the majority being either nursing or laboratory staff.

The organisation's national office is located in Auckland.

3.3 Self Sufficiency

New Zealand enjoys a leadership position amongst blood services internationally by being self-sufficient in all major blood products and components (i.e. both fresh blood components and fractionated blood products utilised in New Zealand are manufactured from whole blood, plasma and platelets collected in New Zealand). Most other blood services around the world need to purchase plasma derived products from the international market in order to either supplement local collection/production or to totally meet demand.

Globally the demand for plasma products (in particular the driver for blood collection in New Zealand - Intragam-P, an immunoglobulin product used to treat immune system disorders and neurological conditions) continues to grow. For a small, geographically remote country like New Zealand, self sufficiency assists in ensuring surety of supply. However; maintaining self-sufficiency does create challenges with the increasing demand year-on-year for immunoglobulin products.

Over the next couple of years, NZBS plans to review the sustainability of maintaining self-sufficiency from both the financial and long-term plasmapheresis donor availability perspectives.

4.0 KEY ISSUES

4.1 Financial sustainability

As a demand driven service within the public health and disability sector, NZBS has a constant focus on improving its performance, increasing efficiencies and containing costs. Various projects are outlined in our 2013/14 Annual Report. This focus enabled a \$2M price rebate to be paid back to the DHBs in the 2013/14 financial year.

Over the next four years NZBS is budgeting a deficit of \$3.29M. The decision to operate deficits has been carefully considered by the Board, noting the underlying financial viability of NZBS is maintained, primarily because a major component of the forecast deficits arise from financial reporting standards compliance, related to the new Blood Centre in Christchurch. A more detailed explanation of this compliance requirement is contained in the NZBS Statement of Performance Expectations 1 July 2014 – 30 June 2015) and Annual Report.

The 2014/14 Annual Report containing the latest set of publicly available financial statements is available on the NZBS web-site www.nzblood.co.nz.

4.2 Susceptibility to changes in product mix and volume

The NZBS financial model is very sensitive to changes in product mix, volume and fractionation yield.

The last 10 years has seen major shifts in the demand for fresh blood components both internationally and in New Zealand. Clinical use of red cell components has reduced significantly, with transfusion rates falling by almost 25% over the last decade as clinicians respond to increasing evidence that a restrictive approach to transfusion in the peri-operative setting leads to at least as good patient outcomes. NZBS has worked closely with the DHBs to promote wise use of blood, with programmes like “*Why use 2 when 1 will do?*”

The key driver for NZBS blood collection volumes is the fractionated blood product Intragam P. Utilisation of this product is increasing at between 2 - 6% per annum (internationally the rate is approximately 12 - 14%) which demonstrates the responsible prescribing of New Zealand clinicians.

Clinical use of the clotting agent Prothrombinex, primarily used to reverse the anti-coagulant effect of warfarin in patients who are bleeding or require surgery has doubled in the last 10 years.

NZBS is a strong advocate for these changes in usage patterns, they are the right thing for patients; however they do result in significant logistical challenges for the organisation. As a result of the reduction in whole blood collection requirements, NZBS closed its collection sites in Napier and Nelson in 2013 and continues to increase its plasmapheresis collections to support the growth in demand for Intragam P.

4.3 Collection and Facilities Review

With completion of the new Blood Centre in Christchurch and work planned to expand laboratory space in Auckland over the next two years, NZBS is currently conducting a Collections and Facilities Review. This will ensure that NZBS facilities are appropriate to most efficiently and cost effectively meet anticipated future product demand, taking into account changing collection drivers and population demographics from the latest census.

4.4 Behavioural Donor Deferral Criteria Review

In late 2014 / early 2015 NZBS will be reducing the deferral of men who have sex with other men (MSM) from the current 5 years to 12 months, which is consistent with Australia and the UK. This change was the result of an independent expert review commissioned by NZBS of donor deferral criteria used to identify individuals at increased risk of acquiring significant blood borne infections. This is the second such review (the first in 2007 reduced the MSM deferral from 10 to 5 years) and was initiated in response to a number of complaints to the Human Rights Commission from gay men alleging that some of the deferral criteria are discriminatory.

The expert panel was once again led by Professor Charlotte Paul of the Otago University Department of Social and Preventive Medicine and included experts from the NZ AIDS Epidemiology Group, the NZ AIDS Foundation, Ministry of Health and an Ethicist.

NZBS is very conscious of both the concerns raised by the gay community and the requirement to comply with all relevant legislation. In view of this, legal advice was sought at various stages in the review process. The final report is available on the NZBS web-site www.nzblood.co.nz.

4.5 Recruitment and Retention of Blood Donors

To meet forecast demand NZBS needs to collect approximately 165,000 donations per annum. Currently less than 4% of the population are active blood donors (112,000 donors) yet 40,000 New Zealanders will require treatment with blood and/or blood products every year.

NZBS has an ongoing focus to promote blood donation within the community and has a Maori and a youth donor recruitment programme. Current forecasts require us to recruit 24,000 new blood donors over the next 12 months and this will be supported by our digital donor acquisition programme. Responding to demand requires a focus on donors making appointments and blood-group specific donor recruitment and inventory management in order to minimise expiry.

World Blood Donor Day is celebrated on 14 June each year and is used as an opportunity to thank voluntary, non-remunerated blood donors in New Zealand and throughout the world.

5.0 SUMMARY

NZBS is a Crown Entity responsible for the provision of safe, appropriate blood and tissue products and related services to clinicians for the people of New Zealand. This is achieved through various national collections, manufacturing and diagnostic functions operated under a fee-for-service financial model. The financial model is sensitive to fluctuations in both product mix and volume which are constantly changing.

NZBS is, and must continue to be, responsive to customer (DHB) demand whilst managing manufacture and inventory holdings of biological products and reacting appropriately to international safety developments. Activities being undertaken in the current year and plans for the future will ensure that NZBS continues to meet its legislated obligations in the most effective and efficient way possible.

APPENDIX 1: GOVERNANCE PROFILES

David Chamberlain - Board Chairman

David is transitioning from Head of Insurance at Kiwibank where he led the transformation and expansion of Kiwi Insurance Ltd, to becoming a partner at Melville Jessup Weaver (consulting actuaries) on 1 October 2014. He has over 25 years commercial experience in the financial services sector and has experience both as an Executive and as a Director.

Prior to joining Kiwibank in 2010, David worked as an independent consulting actuary for over 10 years. He has been an NZBS Board Member for 5 years, taking over the Board Chairman role in August 2011. As a consultant, David worked with a diverse variety of clients from fishing companies to superannuation funds providing advice ranging from strategy and investment through to financial compliance.

David has a Bachelor of Economics from Macquarie University in Sydney, is a Fellow of the New Zealand Society of Actuaries, Fellow of the Institute of Actuaries of Australia and a member of the Institute of Directors. He is the Appointed Actuary to Kiwi Insurance Limited.

David Wright - Deputy Board Chairman

David is a Professional Director and Management Consultant with a career spanning both the corporate and state sectors. He is currently Chair of West Coast Energy Pty Ltd, and a Director of Workbridge Inc, the New Zealand Domain Name Registry Limited and WEL Networks from 1 October 2014. His health experience includes providing advice on business opportunities to amalgamate support functions of the 20 District Health Boards for Health Benefits Limited.

David has previously held senior appointments in the meat, dairy and transport sectors including Chief Executive and Director of the Land Transport Safety Authority (LTSA) and Chief Executive of Dairy InSight Inc.

David has an MBA awarded with Distinction and a BTech (Food) (Hons) degree.

Prof Peter Browett

Peter is a Consultant Haematologist at Auckland City Hospital and Professor of Molecular Medicine and Pathology within the Faculty of Medical and Health Sciences at the University of Auckland. Peter is currently a Committee Member of the Auckland City Hospital Transfusion Advisory Committee and a Board Member and Medical Advisor to Leukaemia and Blood Cancer New Zealand.

Peter is a member of the Auckland Medical Research Foundation Board and chairs their medical committee. He is also on the Board of the Cancer Society of New Zealand Auckland Division and been involved in several clinical and laboratory studies related to research on blood disorders, in particular leukaemia.

He is a graduate of the University of Otago Medical School, and after postgraduate training in clinical and laboratory haematology in Auckland, he was a Wellcome - HRC research fellow in the Department of Haematology, Royal Free Hospital School of Medicine, London.

Raewyn Idoine

Raewyn is currently Chair of the Southern Regional Health and Disability Ethics Committee and Advisor Marketing and Vocational Strategy for Lincoln University. She

has significant experience at a senior level in the education, tourism and health sectors, having been Independent Chair of the Local Government Industry Training Organisation, Stakeholder Engagement Manager for the Tertiary Education Commission and a board member of Learning State (the state sector industry training organisation).

Involved in a number of successful business start-ups, Raewyn established the Sir George Seymour National College of Tourism and Travel, Natcoll (now Yoobee) and the Achievement Institute of Language. She is also a past member of the Ministry of Education's Tertiary Advisory Group and was on the Quality Council of the NZ Qualifications Authority.

She commenced her career as a registered nurse at Auckland Hospital.

Victoria Kingi

Victoria is the Managing Director of her own consultancy company specialising in property asset development working with Māori land trusts and post Treaty settlement entities. She is Chair of the Māori Housing Advisory Committee to the Associate Minister of Housing currently involved in developing the first National Māori Housing Strategy for the Ministry of Business, Innovation and Employment. Prior to that she was extensively involved in the review and refinement of lending criteria for housing development on Māori land. She is a Director of Pacific Coast Retirement Village and is also the Deputy Chairperson of Nga Potiki, a Tamapahore Trust, a Treaty Settlement Trust, and Māori land incorporation, Mangatawa Papamoa Blocks, both based in Tauranga.

Victoria has significant experience working with Māori communities and related professional entities. She has been involved in a number of initiatives and Advisory Boards tasked with improving outcomes for these communities.

Earlier in her legal career, Victoria worked for Russell McVeagh, Auckland, specialising in resource management and planning law and after an academic year at the University of British Columbia, Vancouver, returned to New Zealand and specialised in Trusts and estate planning with law firm Taylor Grant Tesiram. Victoria lives in Tauranga with her family and is of Nga Potiki, Te Arawa, Ngati Porou and Ngāi Tahu descent.

Ian Ward

Ian is the Chief Executive of the Auckland Energy Consumer Trust, the 75.4% major shareholder of Vector Group Limited.

He has considerable experience in the health sector and was recently reappointed to the Board of the Auckland District Health Board (ADHB) where he chairs the Audit and Finance Committee. He has been on the Board of ADHB since 2007 as an elected person and also as a government appointee.

Prior to his current roles, Ian has held Chief Executive and General Manager roles within diverse industries. He was the first General Manager of Finance and Corporate for the Auckland Regional Transport Authority (now Auckland Transport) and was the General Manager of Finance and Corporate of ADHB between 1998 and 2003. Earlier in his career, Ian was Managing Director of Educorp Services Ltd, the company formed out of Tomorrows Schools to provide a full range of educational services to all schools in the Waikato/Bay of Plenty Region, Group Director of Change Management at Carter Holt Harvey Limited after being General Manager of the Finance Pulp and Paper Group at Carter Holt Harvey, and was the General Manager of Finance and Special Projects for the Property and Construction Sector of Fletcher Challenge Group.