

GP funding crisis: Hamilton clinic writes candid letter to patients after some refuse to pay fees

By [Isaac Davison](#)

9 Feb, 2024 05:00 AM ⌚ 7 mins to read

GPs are being forced to lift their fees as funding fails to keep up with costs. After one clinic faced grumbles from patients, its doctors wrote a frank letter to explain why its charges were going up. [ISAAC DAVISON](#) reports.

When the Flagstaff Medical Centre in [Hamilton](#) raised its fees and began charging for previously free services, a few patients began pushing back.

“People were querying it, sometimes aggressively,” said GP and practice co-owner Dr Marilyn Griffiths, after the latest increase in November. “Some people were saying ‘No, I’m not going to pay for that.’”

The clinic’s fees are now \$59 for an adult consultation, up from \$54 last year and \$50 the previous year. It has also started charging for blood test forms and referral letters.

Griffiths said they had little choice. Government “[capitation](#)” funding increasingly failed to cover her clinic’s costs, so the only way to pay the bills was to increase fees.

“We want to put up a sign saying ‘You don’t like your fees? Nor do we. Call your MP’”

Her centre took the unusual step last month of writing a candid letter to its patients to explain the pressures it was facing.

“General Practice is at crisis point,” the letter said.

“Our business is running at a loss, so to remain solvent we must do two things. Sadly, we may need to increase fees, and we will need to cut services further.”

Griffiths said her practice was two GPs short but could not afford to immediately hire a new doctor. The [waiting time for a routine appointment](#) was nearly three weeks. Its revenue no longer covered the cost of the practice’s mortgage so Griffiths and her husband have

personally taken over that burden. She and her colleague, who co-own the business, have occasionally had to defer wages until their monthly funding payment arrives.

“The practice is going into overdraft every month,” she told the *Herald*. “I don’t know any practice that isn’t.”

Their experience is not exceptional. If anything, many clinics are worse off. Flagstaff is a relatively wealthy area. Clinics in poorer areas, or with a large number of high-needs patients, are financially struggling because of a funding formula which does not fully recognise health needs or complex patients. In some urban centres, fees are rising to \$80.

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“We’re not saying ‘Us poor GPs, we can’t make a living.’” Griffiths said. “We know many people are worse off. The issue is that this is affecting patient care and it is going to exponentially worsen if things don’t improve fast.”

The funding problem is not new, and successive governments have carried out reviews. But GP advocacy groups say the problem is now approaching crisis levels.

On top of the existing financial pressures, the nursing union has made a [pay equity claim](#) for primary care and urgent care. GP advocacy groups are generally supportive of pay parity but say they need a funding boost to afford it.

The pay claim has made many practices nervous. Since December, when it was announced, at least 164 clinics have filed Clause 14 notices to their Primary Health Organisations. The notices are filed when a practice feels there are risks to its ongoing sustainability or concerns that it may not be able to continue providing services.

Health Minister Dr Shane Reti agrees that the funding model is not fit for purpose. He said in a statement that he was looking forward to receiving advice on a sustainable solution for primary care providers.

It is not clear when or how capitation funding might be changed.

The Act Party campaigned on giving GPs a 13 per cent funding boost, but that commitment was not included in its coalition agreement with National.

“I don’t think anyone’s not holding their breath,” said GenPro chair Dr Angus Chambers, whose organisation represents general practice owners. “We’re all aware that there’s some big fiscal constraints and a lot of demand on things.”

His organisation surveyed members last year and found a third were in the red in the first financial quarter.

“There are some people who are still doing fine but there are places struggling significantly and you might say at the point of falling over if there is further deterioration,” Chambers

said.

“One of our members has borrowed six figures against their house to prop their practice up, they are on payment plans with Inland Revenue, they have tried to increase their patient base to generate more revenue but basically the patients they have taken on are higher-needs and require greater time and effort.”

Former Health Minister and Labour health spokeswoman Dr Ayesha Verrall said that before the election she had fast-tracked work on a new funding formula, and she understood the new Government was continuing this work.

“It is a disappointment that Labour isn’t in a position to continue the part of the reforms which would have focused on primary care. We have long held the view that that is the key to improving the health status of New Zealanders.”

General practice has two main funding streams. There is capitation funding, which is paid according to the number of enrolled patients and is based on their age and gender (very young, pregnant, or elderly patients are worth more). And there are the fees which each practice charges, which are decided by each practice but are capped by the Government.

A report commissioned under the previous Labour Government, by consulting firm Sapere, found that GPs were losing \$29 per patient because of underfunding. About half of the work they were doing was for free, the report concluded.

It said general practice needed a further \$137 million a year just to provide the current level of need, or \$614m a year to address unmet needs (mainly Māori, Pasifika and poorer patients). That estimate is likely to be higher now - advocacy groups note that it was based on data which was at least two years old.

A separate report published this month by advocacy group [General Practice NZ](#) said resourcing for general practice “has simply not kept up with need and demand” and this had led to “a desperate and growing situation” in New Zealand in which people could not access the care they needed when they needed it.

The report recommended a new funding model which recognised the issues of equity, workforce, rurality, deprivation and complexity.

Griffiths said that 20 years after the funding formula was introduced, GPs now had more patients, older patients, and more complex cases. They lost money on a patient if they came in more than three times a year, she said.

“Baby boomers are now 80. And you don’t just have someone coming in for the blood pressure pills any more. We need to talk through their diabetes, their weight, we talk through the diet, they’ve now got the thyroid issues, they’ve got ... maybe 10 to 15 medications.

“And we’re supposed to do that in 15 minutes and write our notes and do the referral letters that they want and organise a chest X-ray and then read all those results without charging the patient any more.”

Isaac Davison is an Auckland-based reporter who covers health issues. He joined the *Herald* in 2008 and has previously covered the environment, politics, and social issues.

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