



DHA SUBMISSION
Foreign Affairs, Defence and
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Select Committee

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Ryl Jensen - DHA CEO



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CEO | Digital Health Association

Tēnā koutou katoa. Ko Ryl Jensen tōku ingoa. Ko ahau te tumuaki o te roopu hauora matihiko o Aotearoa. Thank you very much for inviting me to speak today and for the opportunity to present to the Foreign Affairs, Defence, and Trade Committee.

I'm here on behalf of the Digital Health Association (DHA) to discuss the non-tariff barriers (NTBs) that challenge New Zealand's digital health exporters. Our organisation represents over 200 members across the health and technology sectors, all dedicated to improving health outcomes and driving global innovation. Despite their success, many of these businesses encounter significant hurdles when expanding internationally. After speaking with our members, their stories reveal the real, often overlooked, challenges they face. I thank the committee for being open to addressing these NTBs that can hold back the growth of our tech exports, which could greatly benefit both our economy and healthcare system.

Digital Health as a Key Sector

Digital health technologies are transforming healthcare worldwide, creating more connected, efficient, and equitable systems. They have the potential to significantly boost productivity in our health workforce. However, the vision of connected care in New Zealand remains distant. Many of our digital health companies are globally recognised for their innovation, but they face various NTBs that hinder scaling and international competition. Perhaps the most significant barrier, though, is within New Zealand's own market settings, which I will elaborate on later.

In 2023, New Zealand's health tech sector generated \$2.62 billion in revenue, with \$2.35 billion coming from offshore. These companies are significant contributors to research and development, consistently reinvesting profits into their products and workforce. I believe these numbers could grow exponentially if we provide the right support to help our digital health companies expand, export, and compete on the global stage.

Feedback has overwhelmingly highlighted the significant barriers New Zealand businesses face with regulation and compliance costs. Surprisingly, many members find entering the Australian market difficult and costly. Despite being our closest neighbour, friend, and a major free-trade partner, Australia has proven more challenging than expected. The Closer Economic Relations (CER) agreement, intended to simplify trade, often does not deliver that benefit in practice.

Australia is an enticing larger market for Kiwi businesses. However, securing a foothold there is not easy. One of our members recently struggled to gain access to the Pharmaceutical Benefits Scheme (PBS), as the registration process required a myGovID. This forced the company to engage an Australian accountant and submit extensive documentation, causing high costs and months of delays. This is just one example of the bureaucratic hurdles our businesses face, even with Australia as our closest trading partner.

Key Non-Tariff Barriers

One of the first barriers our exporters face are regulatory hurdles which present a considerable challenge. Many of our members must navigate a complex web of costly regulations when attempting to enter foreign markets.

Another member, who has successfully exported to the U.S. and Europe, shared that compliance costs for securing FDA approval and CE marking in Europe can

be overwhelming, especially for smaller businesses. These approvals take time, money, and local representation in each market, all of which adds significant overhead. Even with successful compliance, questions from international buyers about why the company doesn't have a stronger presence in its home market create an additional hurdle. This highlights the importance of improving our own domestic procurement processes to support local companies.

Barriers Around Data Sovereignty and Interoperability

Data sovereignty laws can pose another major challenge. Several countries require health data to be stored locally, which forces companies to invest in expensive data infrastructure or rely on local third parties. One of our members relayed that when exporting to Malaysia, Bumiputera companies must be engaged which add 5 to 10% margin, adding significant complexity and cost to their operations.

Interoperability is a major barrier in New Zealand's health tech sector. Much of the software used here relies on outdated and non-standard codes for data exchange. For instance, most lab results are still sent to GPs using the 20-year-old HL7 2.1 standard. By funding and adopting internationally recognised data exchange standards, products developed in New Zealand could be exported more easily, while also improving our own health data systems.

Procurement Challenges and Local Bias

International procurement policies often favour local suppliers, making it difficult for New Zealand exporters to compete in key markets like Australia, Canada, and the APAC. One member shared that the Australian health system heavily favours local providers, with many tenders requiring a local office or team. This presents a barrier for NZ companies trying to compete on merit, even though we are but a stone's throw away. In Canada, a similar issue exists

especially in the province of Quebec which specifically prefers businesses with local offices and French-speaking staff, further complicating market entry.

The Importance of Government Support

The New Zealand government has an important role to play in reducing these barriers. Greater support through enhanced trade agreements, promotion of data interoperability standards, and export initiatives would help companies navigate these complex regulatory environments. Our members agree that digital health-specific provisions in free trade agreements could address many of these barriers. For example, mutual recognition agreements on regulatory approvals or data-sharing agreements would reduce the time and costs associated with market entry.

Member Stories: Real Barriers

One of our members shared their experience of trying to deploy their cloud-based solution in Australia. Every State and even districts within States had its own checklist for cloud risk assessments, creating a frustrating and time-consuming process. This member shared that they spent AUD \$175,000 on a risk assessment by an Information Security Registered Assessor (IRAP) for their platform as compliance certificates are not transferrable—an expense that could easily be avoided with more streamlined and fair processes between the two countries.

Another member faced issues when exporting to the US, where they had to invest heavily in compliance costs, with no guarantee of success. And other companies, like those working in digital therapeutics, shared concerns around intellectual property (IP) protection. Weak IP enforcement in certain regions poses a risk to their proprietary technologies.

Local Problems

Finally, I want to draw the committee's attention back to what may be the most significant non-tariff barrier of all: our own market and procurement settings.

During the pandemic, healthcare saw an unprecedented acceleration in digital adoption as practitioners sought innovative ways to overcome challenges to traditional workflows. Despite this progress, New Zealand has recently taken a large step back by reprioritising \$380 million away from vital data and digital health projects and initiatives already in flight. This funding was essential for advancing interoperable health data and building connected care systems across our country.

While we recognise the current financial constraints, our sector firmly believes that technology is a key enabler for growth. It can help New Zealand become more efficient, competitive, and poised for success on the global stage. Estonia offers a powerful example of this. When they gained independence from Russian rule in the early 1990s, they had no significant natural resources to trade. In response, they made a bold decision to invest in becoming the greatest little tech nation in the world, and they succeeded. Today, technology is Estonia's largest export.

The implications of this funding setback extend beyond healthcare itself. It threatens New Zealand's ability to compete in the global digital health market, which is crucial for our economic growth. Exports are a vital component of our economy, helping to diversify income streams, create jobs, and foster innovation. By continuing to develop cutting-edge digital health solutions, we could not only strengthen our economy but also solidify New Zealand's reputation as a global leader in digital health, while simultaneously improving our own healthcare system.

On top of this, many countries are actively providing incentives to attract businesses, and New Zealand risks losing out. For example, the Queensland government offers to cover half the cost of new production equipment, and in the UK, there's a generous 186% tax refund available for R&D work. These kinds of incentives make it highly appealing to establish or expand operations overseas, while there are currently no comparable offerings in New Zealand to encourage companies to stay. As a result, the lack of support and incentives here is discouraging investment in new equipment and processes, which means we risk falling behind other countries in innovation and productivity.

New Zealand has the ideal environment for digital health development—a small, diverse population that serves as an agile test bed for innovative solutions. Countries like Denmark, Singapore, Finland and most of the Nordic countries, have leveraged similar settings to make remarkable strides in digitising their government and healthcare sectors. They recognise the advantages of investing in digital infrastructure and use their populations to prove cost-saving, effective solutions.

However, New Zealand's digital health companies face significant challenges in securing local procurement contracts. It is often extremely difficult for these organisations to win contracts domestically due to poor or stringent procurement rules, and without successful local referenceability, they struggle to compete internationally. This creates a cycle where the lack of local success hinders the growth and export potential of our digital health companies, as they cannot showcase successful local use cases.

A Call for Action

To resolve the issues I've spoken about today, the NZ Government can support our growing and innovative digital health companies by enhancing trade agreements and fostering international cooperation in the area of regulation

and compliance. This will not only benefit exporters but also improve the overall healthcare system by making digital health solutions more accessible globally.

Additionally, and most importantly, we must invest in domestic procurement processes and digital technologies across our own health system, to ensure our local companies have a strong foothold in New Zealand thus enhancing their international reputation, helping them expand into new markets.

Conclusion

In conclusion, non-tariff barriers, even in our own domestic market, are stifling the growth of New Zealand's digital health sector and limiting its ability to export innovative solutions. By addressing regulatory hurdles, improving interoperability standards, and fostering stronger government support for digital as a way to overcome economic instability, we can unlock the potential of our digital health industry and make a meaningful impact on our own health system and well as global healthcare.

Tena kotou, tena koutou, tena koutou katoa.

Thank you for your time, and I look forward to your questions.