General Budget Bid – DSS Cost Pressures

Section 1: Overview and Context

<table>
<thead>
<tr>
<th>Vote</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible Minister</td>
<td>Hon Dr David Clark</td>
</tr>
<tr>
<td>Initiative title</td>
<td>Disability Support Services – Additional Support</td>
</tr>
<tr>
<td>Initiative description</td>
<td>This funding will provide for price and volume pressures in response to increased demand on Disability Support Services.</td>
</tr>
<tr>
<td>Work stream</td>
<td>Social Sector</td>
</tr>
<tr>
<td>Responsible Vote Analyst</td>
<td></td>
</tr>
</tbody>
</table>

1.1 EXECUTIVE SUMMARY

A. Short summary of the proposed initiative and expected outcomes.

This funding is to meet the Ministry’s annual demand driven volume, price and complexity cost pressures to maintain the existing support services delivered to disabled people to support improved health and life outcomes for these groups.

1. The 33,000 people receiving Ministry of Health funded DSS through Needs Assessment Service Coordination centres, around 7,500 of whom are in residential care. These services include for example:
   - community residential
   - home and community support
   - respite
   - funded family care
   - early intervention services

and account for the majority of the DSS annual spend.

2. The wider cohort of 75,000 persons receiving Environment Support Services (ESS) for people of all ages: mobility and positioning; sensory disability supports (hearing/vision), equipment for daily living and housing modifications.

Environmental support Services are a range of services and support funded by the Ministry that are available to a broader group than DSS accessed via NASC. This support includes:
   - Equipment and Modifications Services (EMS) – such as equipment, housing modifications and vehicle purchase and modifications
   - Supports and services for people with hearing loss (such as hearing aids, hearing aid subsidies, cochlear implants and services; interpreter services and hearing therapy)
   - Supports for people with vision loss (such as spectacle and contact lens subsidies, and services for blind and deafblind people)

DSS has a significant Non Departmental Expenditure (NDE), currently just over $1.2bn, and this service support is delivered through 1500+ service contracts with over 975 providers. This further investment will enable DSS to maintain current delivery of services.

Refer to Appendix – Section 1.1A for further detail

<table>
<thead>
<tr>
<th>Funding Sought ($m)</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22 &amp; outyears</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>$9.00</td>
<td>$65.84</td>
<td>$65.84</td>
<td>$65.84</td>
<td>$65.84</td>
<td>$272.36</td>
</tr>
<tr>
<td>Capital*</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

1. The first 10 years of capital investment is counted against the capital allowance. Additional FY columns are to be added to funding table above to reflect the full capital costs of an initiative.
<table>
<thead>
<tr>
<th>recommendation</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21 &amp; out years</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Vote Analyst Recommendation**

**Degree of Government Commitment**

### 1.2 CONTEXT

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the initiative been previously considered by Cabinet or been through previous Budgets?</td>
<td>Yes</td>
</tr>
<tr>
<td>Has the initiative been jointly developed with other agencies?</td>
<td>No</td>
</tr>
<tr>
<td>Have you attached the supporting Better Business Case, Regulatory Impact Assessment, etc. (if applicable)?</td>
<td>N/A</td>
</tr>
<tr>
<td>Would this initiative still go ahead if not funded in Budget 2018?</td>
<td>Yes</td>
</tr>
<tr>
<td>Does this initiative contain an element of funding for cost pressures?²</td>
<td>Yes</td>
</tr>
<tr>
<td>Were these cost pressures signalled in your most recent Table 2A and 2B submission?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**G. If required, please provide additional information to support your answers above.**

D – DSS would continue to deliver disability support services but at a reduced level in order for it to meet its Vote appropriation.

F – Ongoing annual demand driven cost pressures for DSS have long been signalled and have been included in previous DSS budget bids. These past bids have been funded either in full or in part.

² Cost pressure initiatives cover existing services and outputs that are funded from within baselines but which are facing wage, price, volume and/or other pressures and where an agency considers it cannot continue to deliver the same level and/or quality of service within its baselines.
Section 2: Problem / Opportunity & Strategic Alignment

2.1 PROBLEM DEFINITION OR OPPORTUNITY

A. Describe the problem or opportunity that this initiative seeks to address.

Under s32 of the New Zealand Public Health & Disability Services Act 2000 the Ministry of Health funds a range of disability support services based on eligibility criteria. The Health and Disability Services Eligibility Direction 2011 sets out the groups of people eligible for publicly funded health and disability services in New Zealand.

Disability support services are available to people who have a physical, intellectual or sensory disability (or a combination of these) which:

- Is likely to continue for at least 6 months, and
- Limits their ability to function independently, to the extent that ongoing support is required.

For the most part these people are mainly younger individuals under the age of 65 years.

The Ministry will also fund disability support services for people with:

- Some neurological conditions that result in permanent disabilities
- Some development disabilities in children and young people (example – autism)
- Physical, intellectual or sensory disability that co-exists with a health condition and/or injury.

These services are commonly utilised by people of all ages including those 65 or older.

The disability sector has increasing expectations on what the system can deliver for them to have an ‘ordinary life’. This has led to disabled people demanding more choice, control and flexibility over the disability supports they access and higher expectations over what the system can offer.

The ageing population (ESS services are accessed by eligible people of all ages) and increasing complexity (survival at birth, behavioural challenges, ASD) are driving both increased demand based on volume and increasing cost per client due to improving technology or the need for high levels of direct support.

Price pressure is being driven by service providers who are facing increasing costs to sustain their business, including the consequences of the Pay Equity Settlement, as well as the increased costs relating to supporting clients of increasing complexity e.g. behavioural issues.

Refer to Appendix – Section 2.1A for further detail.

<table>
<thead>
<tr>
<th>B. What inputs are being bought and why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding is to maintain the level of existing core disability support services currently being delivered.</td>
</tr>
</tbody>
</table>

The $9.00m funding for 2017/18 relates to a mix of growing costs to provide services to DSS clients. The biggest cost pressure relates to increased demand for EMS equipment and modification based on increased access due to increased complexity and ageing population together with increasing numbers of people accessing sensory disability services (refer to the attached ESS analysis.xlsx for details). This cost pressure is also included in the ESS breakdown below for 2018/19 pressures.

The $85.842m funding from 2018/19 onwards relates to:

- **Assessment, Treatment & Rehabilitation (ATR)**
  - $0.842m for the impact of CPI on service cost faced by DHBs.

- **Behavioural Support & Specialised Services (BSS)**
  - $0.396m for the impact of CPI on service cost faced by providers.
  - $0.5m to restore the previous level of expenditure which was reduced by refunds for those not completing the programme.

- **Carer Support (CS)**
  - $0.5m to meet an increase in demand for CS services which seem to be better suited to some family situations.

- **Child Development Services (CDS)**
| Enhanced Individualised Funding (EIF) | $0.198m to meet the impact of CPI on service cost faced by providers.  
| Environment Support Services (ESS) | $4.8m to meet increased numbers of people accessing sensory disability services, including Cochlear implants.  
| | $0.94m for demand in other and specialist services due to increased complexity of disability  
| | $7m for cost pressures incurred in 2017/18 unfunded as not included in a budget 2017 bid  
| | $1.247m for the impact of CPI on service cost faced by providers.  
| Funded Family Care (FFC) | $0.5m to meet an increase in demand for FFC services which seem to be better suited to some family situations.  
| | $0.233m to meet the impact of a 75 cent minimum wage increase from 1 April 2018 as part of the new Government targeting a higher minimum wage.  
| High & Complex Support (H&C) | $2.003m to meet the impact of Pay Equity on service cost.  
| | $0.5m – to meet volume driven pressures arising from increasing behavioural complexity presentation in disabled persons.  
| Household Management (HM) & Personal Care (PC) | $1.921m to meet the impact of Pay Equity on service cost.  
| | $1.5m to meet an increase in HM&PC services being sought (and encouraged) as an alternative to the more costly residential options.  
| In Between Travel (IBT) | $0.991m to meet the impact of a 75 cent minimum wage increase from 1 April 2018 as part of the new Government targeting a higher minimum wage.  
| | $13m for previously unfunded cost pressure being increasingly incurred in 2017/18.  
| | $2m to fund the suspected increased cost over budget from the implementation of Part B of the IBT legislation as we are dealing with the unknown.  
| Needs Assessment Service Coordination Centres (NASCs) | $0.285m for the impact of CPI on service cost faced by the NASCs in providing the assessment service.  
| | $2.3m to meet pressures resulting from pay equity parity related issues involving retaining existing staff and securing new staff.  
| Other Services (including Day Programmes, Information & Advisory, Rehabilitation etc.) | $1.015m for the impact of CPI on service cost faced by providers.  
| Residential Care services | $2.849m to meet the impact of a 75 cent minimum wage increase from 1 April 2018 as part of the new Government targeting a future higher minimum wage.  
| | $7.482m – to meet the impact of Pay Equity on rest home, hospital and community residential services (excluding minimum wage increases).  
| | $8m – to meet volume driven pressures arising from increasing behavioural complexity presentation by disabled persons which is leading to a continual annual increase in average day rates (both individual and standard rates).  
| Respite Services | $0.31m to meet the impact of Pay Equity on facility based respite service cost.  
| | $0.75m to meet an increase in demand for respite services as a result of implementing of the new respite strategy in 2017/18.  
| Supported Living services | $0.768m to meet the impact of Pay Equity on service cost.  
| | $1m to meet an increase in Supported Living services sought in place of Residential Care placement.  

**C. What alternative options were considered and why did you**

As this budget bid is for increased funding to meet cost pressures within existing service delivery, there are no options or alternatives as the expenditure is essentially non-discretionary and required under our obligations to provide supports for eligible people with a disability. This is detailed in section 2.1A above.
D. Counterfactual analysis.

If this funding is not approved or deferred then DSS would need to consider some or all of the following actions if it is to remain within its appropriation for 2018-19. The list below is not exhaustive but contains some options where further analysis could occur.

The following options could be considered first:

- The sleepover settlement currently costs approximately $55m per annum of which approximately $42m has been funded from new funding. Consideration could be given to reducing the DSS spend on sleepovers to funded levels thereby saving $13m. The risks in reducing sleepover expenditure to the level that was funded is that some residential providers may become unsustainable resulting in clients having to be moved from their homes and or providers may simply refuse referrals.

- Price increases have been budgeted at 2.2% to meet both the pay equity funding commitments and other provider price pressures. The Ministry could choose not to pass on a price uplift to providers. If no price increases were awarded across all of DSS’ service lines then this would provide savings of approximately $15.7m. However, the Ministry would be likely to face litigation for not adhering to the spirit of the pay equity settlement.

- No price uplifts for any contracted services other than those services impacted by Pay Equity would result in savings of approximately $4m. This would be received very negatively by those services as they are beginning to be impacted by pay equity in terms of ability to recruit staff. This is likely to create provider sustainability issues for this group.

Further analysis beyond the above could include an examination of the following unquantified options to reduce expenditure:

- Moving to a waitlist system for accessing complex equipment and housing modifications.
- Adjusting the threshold for low cost equipment provided under Equipment & Modification Services. Currently any equipment under $50 is not funded.
- Introducing a co-payment from recipients with respect to all housing modifications or provide a maximum contribution from the Ministry.
- Introducing additional access criteria for equipment provided under ESS. For example a Community Services Card required to enable access to hearing aids, contact lenses and other equipment.
- Limiting the amount of the Community Care support services, for example the number of hours allocated for Household Management support.
- Reducing Individualised Funding (IF) allocations.
- Increasing waitlists and wait times on referrals for Early Intervention (EI) support services.
- Restricting the availability for persons to be eligible for EI support services.

It is important to note that any actions taken to change policy settings or reduce expenditure will have associated risks and varying degrees of difficulty and regulatory/policy barriers with implementation. Any changes to reduce or restrict service delivery would require a lead time of at least 6 months given contractual commitments and is likely to result in a strong negative response from the disability sector.

Refer to Appendix – Section 2.1 for further detail.
2.2 STRATEGIC ALIGNMENT AND COLLABORATION

| A. How does this initiative fit with your agency’s strategic intentions as outlined in your most recent Statement of Intent, Four Year Plan and Long Term Investment Plans? How does this initiative align with the Government’s priorities? | This initiative supports the following strategic priorities and has a **high** level of strategic fit:

Firstly, the **New Zealand Health Strategy**, which is informed by five strategic themes:

- People powered – investing in the disability workforce to ensure it is skilled, reliable and nationally available, providing support based on the principles of Enabling Good Lives
- Closer to home – identification of those services that provide the greatest value for money and outcomes for disabled people and making these more widely available across the country in order to deliver choice to our clients
- Value and high performance – improved funding models that ensure the sustainability of delivery of quality services to disabled people. Strong relationships maintained with stakeholders, including providers, disabled people, families/whanau and unions
- One team – working closely with the disability sector on supporting people with a disability in the way they are able to access services
- Smart system – improving information on which to make decisions through better data and improved contract management systems supporting outcome measures capture.

Secondly, the revised **New Zealand Disability Strategy** which takes a whole of life and long-term investment approach, and a ‘twin track’ approach to establishing an integrated system with access to both mainstream and tailored disability specific supports and services.

Thirdly, the Ministry’s commitments under the New Zealand Public Health and Disability Services Act 2003.
### 2.2 Strategic Alignment and Collaboration

| B. Description of engagement with other agencies impacted by this initiative (if applicable.) | This initiative is not a cross-agency initiative as it only involves cost pressures relating to DSS support service delivery. However, the Ministry works closely and collaboratively (in some cases through joint funding arrangements) with the following organisations in delivering disability support services:

- MSD
- MoE
- ACC
- MVCOT
- NGOs
- Disability sector representational bodies. |

| C. How does this initiative relate to current activity undertaken by your agency and/or by others across the State Sector? | This budget bid is for cost pressures to maintain delivery of existing core DSS services. Refer to Appendix – Section 2.2C for further detail |

---

### Vote Analyst Comment

---

### 2.3 Cost Pressure Initiative Section [If Applicable]

| A. What are the policy settings and cost drivers creating the pressure or risk? | DSS operates the following service delivery constraints:

a. Capped annual appropriation
b. Ministerial direction over service direction and subsequent compliance.
c. Sector staffing capacity and skills
d. Demand driven cost pressures arising from price of support, quantity of support provided and numbers of individuals accessing support
e. Contractual/fee for service/complexity price uplift pressure
f. Provider financial sustainability concerns
g. Availability of provider numbers to provide national/regional coverage and sufficient competition for the supply of services
h. Lack of contractual levers as DSS is a partial price taker particularly in relation to the highly complex client group.
i. Legislative changes e.g., Minimum Wage, In Between Travel Settlement, paid Family Carers and Pay Equity Settlement. |

| B. What are the assumptions underpinning the | Summary

The additional funding sought:

- Is $85,842m representing the increase in price and demand pressures.
- To provide for the assumed annual price uplift to support the full cost of the Pay Equity Settlement. The assumed price uplift for 2018/19 is 2.2% and this will be applied to support services across DSS. |
2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

• Seeks to address the funding shortfall in 2017/18 resulting from pressures on ESS ($7m) and IBT ($13m) which have been funded through one-off reprioritisation.

• Includes price increases for all DSS service lines of 2.2% (not just those impacted by the Pay equity settlement), effective from contract anniversary dates or aligned to the date of the last increase (note - CPI for 2016/17 was 1.7%).

Just under 90% of the $65.842m cost pressure relates principally to the following support areas:
1. Community services
2. Residential services
3. Environmental support
4. In between travel
5. Minimum wage

**Household Management (HM) & Personal Care (PC) – Price $2.0m and volume $1.5m**

The numbers of clients accessing PC are increasing and for those using HM decreasing. A key driver for increased demand is people wishing to remain in their own home and more people accessing individualised funding. This is consistent with the successful budget 17 bid for a small PC volume pressure.

**Residential Services – Price $7.5m and volume $6m**

For rest homes, hospitals and residential homes no client volume increase has been factored into this budget bid as client numbers are continuing to remain static. In addition the numbers of clients in residential support are progressively moving through the age bands which reflects both the historical nature of the people using the service and strategic direction of trying to keep younger people using (cheaper) community services for longer.

However, community residential is experiencing demand pressures of price/rate and volume/mix of services due to the growing complexity of clients with multiple needs, particularly concerning challenging behaviour. The number of clients on an individual daily rate (effectively a high cost package) is growing annually. Since 2010/11, the individual rate has increased 28% compared with 15% for the standard rate over the same period. $13.5m for 2018/19 is an estimate to reflect this increasing cost pressure.

**Environmental support services – Price $1.3m and volume $17m**

ESS is continually experiencing considerable volume (number of clients) demand pressure arising from the ageing population and increased costs arising from the equipment solutions to meet the increased client complexity.

The bid for equipment has both a price increase and a volume component to reflect the growing demand pressure in the equipment space. The standard price increase of 2.2% will apply to only some parts of ESS. For example, no price increase has been allowed for the provision of standard equipment as the providers are expected to manage this spend through its procurement process.

For equipment, standard equipment costs are being driven upwards by the ageing population. Specialised equipment is increasing due to the complexity of clients’ needs. Despite robust procurement processes managing cost growth, costs are still increasing as the equipment solutions required are more specialised, carrying higher specifications and more commonly multiple items are now required. This is compounded by general increases in technology coupled with the increasing social norms of what is expected by people in terms of solutions to support their independence. What used to be a ‘nice to have’ is now the standard. Equipment expenditure remains essential in continuing to support people to live as independently as they can in their own home, rather than requiring in home support or moving to a residential option which is significantly more costly.
2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

There are further pressures on the ESS portfolio of services from growth in numbers accessing the hearing aid subsidy scheme and vision related support and the unmet need in the Specialised Services portfolio. Unlike the majority of DSS costs, ESS costs are primarily one off interventions, albeit some with a known cyclical replacement term.

It has become clear to DSS that the increase in demand for equipment and modification services has been a growing trend as people choose to remain in their own home and maintain their independence.

_in Between Travel—Volume $15m_

The Ministry has faced increased cost since 2015-16 as a result of the In Between Travel settlement Parts A and B. Part A concerned travel costs while Part B covers the cost of guaranteed hours of work.

This budget bid contains $13m to meet the shortfall from original estimates for IBT and a further future $2m for further growth in 2018/19 and $1m for minimum wage uplift. The rationale for additional volume allowance for Part B is provided by reference to the additional cost for Part A being incurred by DSS in 2017/18 of $0.9m (over and above the provision made). As this is a new cost there is very limited historical trend analysis and so the additional provision of $2m reflects the existing level of uncertainty.

The increasing IBT costs relate to:

- funding for cost relating to hours paid to workers despite no services provided to clients due to "guaranteed hours" in the workers employment agreement. This is similar to the Employment Standards Legislation clause for "agreed hours". Payment is on a fixed amount, reducing over time on the assumption that providers will improve their rostering capability.
- funding for cost relating to permanent reduction in agreed guaranteed hours. Traditionally, the workers guaranteed hours are linked to client's service hours and if their clients have to move into aged residential care, the workers will face a reduction in available work. While not expected to be a significant issue in big cities, likely to be an issue in rural areas. Payment is on an actual basis.
- evidence from pilots conducted during 16/17 indicates that where Providers receive less than 48 hours' notice requesting changes to planned service requests, they are unable to generate any revenue while having to pay the worker under the IBT regularisation agreement and the Employment Standards Legislation. Payment for unfilled "cancelled hours" is based on an actual basis.
- Partial contribution for one-off implementation cost re providers would have incurred cost to implement Employment Standards Legislation.

_minimum Wage Increases – Price $4.1m_

The minimum wage will increase from $15.75 to $16.50 on 1 April 2018. Some DSS services are directly impacted by a movement in the minimum wage as their rate is set at the minimum wage level and any movement must be passed on. For DSS this 75 cent increase impact is reflected as follows:

- FFC - $0.23m
- Community residential - $2.85m
- IBT - $0.99m.

Pay Equity

The legislation effective from 1 July 2017 puts into law the new pay rates for eligible care and support workers. All providers are legally bound to pay eligible workers at the appropriate pay rate as a minimum.

The proposed pay equity settlement phases in increased wage rates over five years. The rates are based on qualifications for new employees, with a transition arrangement for existing employees without qualifications. The settlement agreement includes a requirement and associated funding for employers to facilitate training for their
workforce. In addition to achieving a pay equity settlement, this is expected to result in a more highly trained workforce with lower turnover, resulting in better and more consistent care for service users.

The agreement covers care and support workers employed by providers funded by the Crown, by DHBs or by ACC who work in the areas of:

- aged residential care (includes some ACC and Ministry of Health clients under 65 who require rest-home level care);
- community residential living; and
- home and community support services.

This settlement is intended to fully fund the direct increased wage costs faced by providers on an annual basis. In doing so, it relieves a significant amount of wage pressure which would otherwise have had to be managed by providers for the next five years. The Ministry will be funded annually over the next five years for Pay Equity and this funding will need to be disbursed to providers through business units such as DSS.

In order to recognise annual cost pressures on all DSS is applying a 2.2% price lift to the vast majority of contracts.

Refer to Appendix – Section 2.3B for further detail

Given the ongoing pressures within DSS the Ministry has developed its financial modelling capability to predict future cost and demand pressures. The modelling supports this bid that supports this bid.
The three cost pressure drivers are discussed separately below:

**Price**
DSS has considered a range of price increases for providers in the 2018/19 financial year including no increase, e.g. 1.7% to reflect CPI, 1.8% (being net Pay Equity Settlement 2017/18) or an increase of 2.2%, being net Pay Equity Settlement for 2018/19. Upon consideration, DSS believes a 2.2% increase as it is best matched to meet the required contribution to the cost of the Pay Equity settlement.

**Demand**
DSS is facing volume pressure through increasing numbers of individuals assessed and accessing both long term disability supports and environmental support services. DSS has limited options at its disposal, given that the vast majority of those seeking support are eligible and qualify under the existing eligibility and access criteria and therefore are entitled to receive support.

Altering eligibility and access criteria can be done to reduce cost but will require Ministerial approval and support. Even if eligibility or access criteria is changed this will require a lead-in time, so any savings would only be achieved in the medium term.

**Individuals’ usage (allocations)**
Under the current system individuals’ allocation of services, outside of entitlement based on eligibility, is determined by needs assessment. If instructed, and then supported, DSS can arrange for support allocations to be altered or subjected to a maximum threshold. This would require all individuals’ agreed allocations to be reviewed and subjected to effectively an expenditure cap. This is contrary to the current process of individualising a support allocation based on an individual’s assessed need.

On balance DSS would not recommend this approach as it cuts across underlying principles and the strategic direction for disability within Health. Specifically:

- There is significant safety risks in reducing allocations for those people with very high and challenging support needs
- The provider market is likely to respond very negatively and would likely limit which referrals they accept
- There is likely to be a significant negative response from the disability community.

Refer to Appendix – Section 2.3C for further detail
2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

D. What is the efficiency, effectiveness and productivity of this cost pressure area?

The current Information Supporting Estimates (ISE) measures reported on by DSS are shown below. Measures 7 and 8 have been revised for reporting purposes from 1 July 2017 onward. DSS has met all previous targets for at least the last two financial years.

If the funding sought is not secured then this is likely to lead to measures 1, 2, 4, 5 and 6 being adversely impacted.

1. Disability Support Needs Assessment
   All new clients assessed as being eligible for Ministry-funded support are provided with their support options within 20 days of assessment is equal to or greater than 80%.

2. Disability Support Needs Assessment
   All new eligible Disability Support Services clients are assessed within 20 days of referral is equal to or greater than 85%.

3. Community Support Services
   The percentage of self-directed funding arrangements to improve the person’s choice, control and flexibility, (e.g., Choices in Community Living, Individualised Funding, Enhanced Individualised Funding, Flexible Disability Supports, Personal Budgets and Enabling Good Lives) within the total client population is greater than or equal to 10%.

4. Community Support Services
   The percentage of people engaged in early intervention by completing Behaviour Support Treatment Programme to prevent inappropriate behaviour from becoming permanent is greater than or equal to 75%.

5. Residential to Community Support Services
   Percentage of Disability Support Service clients moving from mainstream residential service to community support services increases over time so that the percentage receiving community support services is greater than or equal to 77%.

6. Environmental Support
   The percentage of equipment available and supplied from the Ministry of Health’s standardised equipment list to ensure value for money is greater than or equal to 75%.

7. Quality
   The percentage of requirements identified in Disability Support Services purchased audits and evaluations that are actively monitored by the Ministry of Health so that they are implemented by the providers in a timely manner is greater than or equal to 90%.

8. Stakeholder Engagement
   Percentage of stakeholders surveyed assess the engagement and content of the DSS external forums (e.g., Consumer Consortium, Provider Forums etc.) as meeting expectations or above 80%.

Please note section 3.4 of this template is also a critical aspect for cost pressure initiatives.

VOTE ANALYST COMMENT
## 3.1 Expected Impacts

### Costs

A full breakdown of the $65.842m investment is summarised in an Appendix (4.3D) and Section 2.1B details what is actually purchased.

### Benefits

#### Supported living

Supported Living was introduced to help people develop the skills and capacities to live in the community. Together with IF these initiatives now support over 5,000 people.

Recent analysis of Supported Living has found that it can result in total support hours reducing over time as independence builds. The level of high cost packages for people receiving Supported Living has significantly reduced, with the number of people on support packages of $50,000 (25+ hours per week) or more reducing from 60 in 2009 to 30 in 2014, and a corresponding reduction in spend from $9.8 to $6.4 million.

#### Choice in Community Living

A recent analyses of the cost effectiveness of Choice in Community Living total costs were compared to an estimation of what it would have cost to support this same cohort of people in a residential service for the duration that each has been supported through CiCL.

The analysis found that supporting each of the 157 participants since they commenced CiCL was $137,782 less than the total projected cost of supporting the same people within a residential service over the same period. In addition to the intangible benefits that CiCL participants are reporting about their improved sense of wellbeing, freedom and autonomy, this finding suggests that CiCL does appear to be cost neutral across Government and is meeting or even exceeding the objectives it was established to achieve.

#### Early Intervention

DSS currently spends around $48m per annum on early intervention services for children and young people with significant developmental delays or disabilities through:

- **Child Development Services (CDS)** - provides support to children and young people 0-16 through specialist assessments, organised interventions and services, and integrated working with other agencies. Increasing capacity will allow children with mild to moderate developmental needs access the services, and these children are likely to have the greatest benefit from the investment. Benefits include increased independence later in life and reduced supports required in other areas (such as through the schooling system). This could be to the extent where no future support may be required.

- **Behaviour Support Services (BSS)** - provides support for people of all ages with a disability whose behaviour makes it difficult for them to engage in everyday routines, settings, activities and relationships. Intervening early prevents challenging behaviours that make them at risk of social exclusion becoming more entrenched and harder to treat. This reduce the need for long lasting and intensive supports that might be required to maintain the person living in a home-like setting.

Young people in care, or at risk of entering care, have high rates of disability. The Investing in Children programme of work is providing a focus for early investment in the range of needs of vulnerable children, including disability related needs.

#### Wider DSS delivery

The table below summarises the key benefits expected for disabled people in New Zealand to be realised from continuing to invest and deliver the national DSS appropriation:
<table>
<thead>
<tr>
<th>Benefit name</th>
<th>Monetary benefit? (Y/N)</th>
<th>Benefit description</th>
<th>Confidence in realising benefits (H/M/L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect</td>
<td>N</td>
<td>Are treated equitably and with dignity and respect</td>
<td>H</td>
</tr>
<tr>
<td>Choice</td>
<td>N</td>
<td>Exercise choice, control and flexibility over supports in their lives in order to deliver value for money in terms of outcomes</td>
<td>M And will be further enhanced through the redesign of the system of delivering supports</td>
</tr>
<tr>
<td>Person centric</td>
<td>N</td>
<td>Purchase of accessible innovative, culturally responsive and person directed supports</td>
<td>M And will be further enhanced through the redesign of the system of delivering supports</td>
</tr>
<tr>
<td>Improved outcomes</td>
<td>N</td>
<td>Gain improved outcomes as a result of collaborative relationships with the sector</td>
<td>M And will be further enhanced through the redesign of the system of delivering supports</td>
</tr>
<tr>
<td>Early intervention</td>
<td>Y</td>
<td>Fund early intervention for disabled children and whānau/families to increase independence and reduce future costs</td>
<td>H Currently only small numbers in EI programmes currently due to cost</td>
</tr>
<tr>
<td>Participation by disabled people</td>
<td>N</td>
<td>Participate in decision making that affects their funded services and supports</td>
<td>M And will be further enhanced through the redesign of the system of delivering supports</td>
</tr>
</tbody>
</table>

Further, the table below summarises the stakeholder impact of the annual DSS expenditure:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Relationship to the expenditure</th>
<th>Impact (H/M/L)</th>
<th>Influence (H/M/L)</th>
<th>Management strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users of DSS</td>
<td>Future delivery of quality service</td>
<td>H</td>
<td>M</td>
<td>Seek and take opportunities to meet, hear, review, consider, explore any feedback from users and involve representatives in any co-design work (e.g. Consumer Consortium)</td>
</tr>
<tr>
<td>Service providers/DHBs/NGOs/Care organisations</td>
<td>Deliver the services</td>
<td>H</td>
<td>M</td>
<td>CRMs, RBA reporting, regular catch ups (e.g. Disability Sector Strategic Reference Group)</td>
</tr>
<tr>
<td>Human Rights &amp; Disability Commissioners</td>
<td>Target policy</td>
<td>M</td>
<td>M</td>
<td>DSS representation at forums and dedication of staff resource to any required actions</td>
</tr>
<tr>
<td>Disabled persons’ organisations and</td>
<td>Target policy</td>
<td>M</td>
<td>M</td>
<td>Regular forums with presentations and Q and A</td>
</tr>
</tbody>
</table>
Cost benefit analysis of a price increase

Not applying any price uplift in 2018/19 will:

- save DSS increased service costs of approximately $15 million
- show consistency towards all providers.

However, not applying a price increase is also likely to result in:

- individual client rate increases with community residential and respite services without introducing effective levers to manage these and having sufficient provider competition in the market
- the possible exit of services by providers not willing to continue services under existing funding on the grounds they are financially unsustainable
- widening the gap between DHB and Ministry pricing for bed day prices and other contracted services (under Crown Funding Agency agreements). For example, there is already significant pressure to increase the price of AT&R funding in line with the Health of Older Persons service rates
- criticism from providers as no additional funding received by providers and yet business costs are increasing
- introducing a further price differential between what DSS offers and the underlying annual movement in CPI
- challenges from the sector around not fully funding the pay equity settlement.

Note - CPI for the year ended June 2017 is 1.7% and no figure yet available for year ended 30 June 2018 or 2019.
A. Outline the assumptions underpinning the impacts described above.

- Recent historical patterns of client numbers, service quantity and provider and CPI price pressures continuing.
- No contraction of services offered compared to 2017/18.
- No changes to the disability eligibility criteria.
- No change to access criteria (e.g. Community Services Card for Household Management) or threshold criteria (e.g. maximum of $15k for access to and within a home).
- Any increase in demand is due to either more clients accessing more services and or existing clients utilising more quantity of a service or more than one service.
- Service operation for 2018/19 incorporates continuing to deliver previous cost pressures funded through a successful Budget 17 bid.

B. What evidence supports the assumptions and impacts stated in section 3.2.A?

DSS funding requests are completed based on past historical trends and patterns of service usage. A full analysis has been provided earlier within the cost pressure description section.

VOTE ANALYST COMMENT

3.3 SENSITIVITY ANALYSIS

A. Provide examples or scenarios to show how impacts change with different assumptions or policy settings.

To consider sensitivity of DSS expenditure to changes in underlying assumptions and or directional policy, it is easiest to revisit the composition of total spend per annum and the underlying drivers of each.

From Section 1.2 G, DSS (including ESS) total annual expenditure (E) can be expressed as:

\[ E = \text{Price} \times \text{Volume} \times \text{Number of clients} \]  (aggregated by service line).

The table below summarises the impact correlation between DSS cost components and the three principal sources of change affecting DSS service support delivery.

<table>
<thead>
<tr>
<th>DSS cost components by cost pressure drivers</th>
<th>Impact from external to DSS policy</th>
<th>Impact from DSS internal assumption</th>
<th>Impact from DSS cost lever/directive</th>
</tr>
</thead>
<tbody>
<tr>
<td>More service(s) used V</td>
<td>Some correlation</td>
<td>Very high correlation</td>
<td>Very high correlation</td>
</tr>
<tr>
<td>More people using service(s) N</td>
<td>Very high correlation</td>
<td>Minor correlation</td>
<td>Minor correlation</td>
</tr>
<tr>
<td>Regulatory / legislative P</td>
<td>Very high correlation</td>
<td>No correlation</td>
<td>No correlation</td>
</tr>
<tr>
<td>Provider unsustainability P</td>
<td>Medium correlation</td>
<td>High correlation</td>
<td>Some correlation</td>
</tr>
<tr>
<td>Monopolistic provider behaviour P</td>
<td>No correlation</td>
<td>No correlation</td>
<td>No correlation</td>
</tr>
</tbody>
</table>

For example:
- Where the number of individuals being assessed for receiving a support service is managed through eligibility criteria as dictated by external policy, then potentially (risks and consequences aside) the N in the cost equation can be altered.
- To a far lesser extent the $V$ in the cost equation, level of services utilised, can also be varied by policy to some extent. Service utilisation is next best addressed through the assessment and allocation of services by the NASCs. This would require the NASCs following a set DSS directive.
- Within parameters, DSS are able to make assumptions and determine price increases for the sector which will have a direct impact on provider future sustainability.

### 3.4 FUNDING IMPLICATIONS

| A. Provide option(s) for scaling, phasing and/or deferring this initiative. Builds on information provided in section 2.1.B of this template. | Other than the price increases on the service lines impacted specifically by Pay Equity, the investment sought can be scaled as required, down to a base level of zero. A scaled down investment will simply mean the full stated objectives of the bid not being met. |
| --- |
| B. Describe the implications on service delivery and risks/trade-offs for each of the scaled, phased or deferred scenarios section 3.4.A. | The implications for service delivery and associated risks will be consistent with what is outlined in this document. |

**VOTE ANALYST COMMENT**
Section 4: Implementation, Risk Management and Evaluation

4.1 IMPLEMENTATION AND RISKS

A. How will this initiative be delivered?

The budget bid is for additional investment to continue to fund and sustain existing core disability support services so therefore all the implementation structure and operational delivery is in place.

It will be implemented through the existing MOH/DSS resource framework and operational services. No specific or new project management is required as the expenditure reflects another year of business as usual operational activity for DSS.

DSS has existing capacity and capability to deliver all services as per the budgeted bid.

The vast majority of DSS annual operating expenditure has already been procured through the standard channels. Consequently, future expenditure is mainly in the form of (existing) contract renewals and or alteration. Where a new service is needed to be delivered or a change of provider sought or contested, then the DSS follows Ministry standard procurement process.

The DSS approach to procuring services is:

- approach the market and advertise
- receive tenders/offers
- evaluate offers using a matrix of criteria
- select and short list possible suppliers
- interview chosen tenderers
- evaluate based on chosen criteria
- advise bidders of outcome
- undertake due diligence and contract negotiation as required with preferred supplier
- contract to contain:
  - quality attributes of the services and outcomes required; and
  - performance measures against which services and outcomes will be assessed (RBA).

Each potential supplier must meet any selected pre-conditions before a bid will be considered for evaluation on its merits.

The matrix used for any evaluation will be a combination of criteria relevant to the contract, including price, previous experience, geographical coverage, knowledge of disability sector etc.

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Impact or Consequences</th>
<th>Likelihood</th>
<th>Severity</th>
<th>Overall Risk</th>
<th>Mitigation / Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSS has no financial contingency</td>
<td>No ability for DSS to absorb any significant financial shocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| S 9(2)(i) | |
|-----------|-------------|----------|----------|

Pre-emptive financial control
<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSS’ 2018-19 appropriation exceeded</td>
<td>Any funding deficit found from within Vote Health or request to Treasury for special assistance</td>
<td>DSS applies robust monthly financial monitoring</td>
</tr>
<tr>
<td>High and Complex Framework – Hospital capacity and residential placements</td>
<td>Individuals requiring specific placements receive sub optimal solutions and the potential for a harmful to self and others situation arises</td>
<td>Situation being managed reactively and the new bed strategy ready for implementation by 2018/19</td>
</tr>
<tr>
<td>Unable to place children and young people with challenging behaviours in a safe environment</td>
<td>Increased risk of self harm and harm to others</td>
<td>Altered levels of service allocation to meet sub optimal circumstances. This would usually be at an increased cost.</td>
</tr>
<tr>
<td>Funding costs of In Between Travel Parts A and B</td>
<td>Any funding deficit found from within Vote Health or request to Treasury for special assistance</td>
<td>Careful and early financial monitoring with notification to Treasury of expected year end outcomes.</td>
</tr>
<tr>
<td>Concern across the wider disability sector that service reductions deliver a contradictory message to that provided under Systems Transformation</td>
<td>It will make it more difficult to achieve sector wide buy in and national roll out of Systems Transformation</td>
<td>Appropriate communication to the wider disability sector distinguishing between the short and longer term outcomes.</td>
</tr>
<tr>
<td>For some a reduction in the quality of life, feeling in control and ability to access the community</td>
<td>Works against the underlying principles and outcomes of the Enabling Good Lives philosophy</td>
<td>A re-prioritisation of service delivery to minimise impacts</td>
</tr>
<tr>
<td>Eligibility criteria changes simply deferring necessary investment to fund costs to a future period.</td>
<td>Individuals in need of services, support and equipment either miss out or have to wait longer.</td>
<td>Considered approach to small changes in eligibility criteria to deliver the least impact to the least needy cohort</td>
</tr>
<tr>
<td>Reduced levels of early intervention investment leading to increased costs at a later stage</td>
<td>In most cases, by not addressing early and most prominent presenting behaviours early, leads to a greater complexity of behaviour at a later stage. This in turn would require a greater investment together with a reduced likelihood of success.</td>
<td>A reprioritisation of individuals to receive the limited resources available.</td>
</tr>
<tr>
<td>Increased sector expectations</td>
<td>May lead to more people seeking higher funding or allocation of supports</td>
<td>NASCGs to manage this growth and demand pressure</td>
</tr>
</tbody>
</table>

4.2 LEGISLATIVE AND REGULATORY IMPLICATIONS

A. Please detail any legislative implications and whether the Regulatory Impact Assessment (RIA) requirements apply.

| | No legislative implications or complications are created by this initiative. |
| | Part of the cost pressure bid is the result of recent legislative change (e.g. IBT and Pay Equity). |

VOTE ANALYST COMMENT
### 4.3 PERFORMANCE MONITORING AND EVALUATION

#### A. Performance measures/indicators.

All DSS contracts are to contain Results Based Accountability (RBA) through:
- quality attributes of the services and outcomes required, and
- performance measures against which services and outcomes will be assessed.

For DSS in aggregate its financial performance is measured by its ability to remain within its annual Vote appropriation. DSS manages its monthly actual financial performance against budget through reference to 12 service groupings (consistent with those used in appendix 1).

For residential services and high and complex statutory supports, DSS has to ensure that all eligible individuals requiring placement are accommodated.

For some service supports, such as BSS or CDS, DSS places some cognisance on the numbers on waitlists.

For the range of community supports including FFC and Day Programmes, monthly monitoring is undertaken on dollars spent. Client numbers utilising the service and average weekly per client packages.

NASC management and development, Assessment Treatment and Rehabilitation and information and advisory contracts are managed to a fixed annual price.

ESS expenditure for the most part is demand driven so performance is largely managed through sector feedback and close monitoring of periodic reporting.

#### B. Outline how the implementation and performance of the initiative will be regularly monitored.

All NDE for DSS will be delivered through its existing and effective national operational framework of contracted providers.

DSS SMT will receive a business case for each proposed contractual expenditure for approval. Approval will be made on the basis that the dollar expenditure and contract was included in the 2018-19 DSS Annual Purchase Plan signed off as part of the DSS NDE spend for 2018-19, and that it is agreed the contract continues to deliver value for money.

For each contract renewal, the DSS SMT will consider the following:
- What evidence is available that indicates the service delivers value for money?
- Does the intent of the contract renewal meet the principles of ‘Enabling Good Lives’?
- What are the outcomes the contract delivers for the disabled people it supports?
- What other options at lower cost have been considered?
- Is there potential for this NDE expenditure to be re-prioritised?

**Key stakeholders**

DSS does not have formal stakeholder management plan. It manages its operations through having identified staff/teams responsible for identified key stakeholders, relationships and operational parts of the service delivery.

DSS does have identified and tested systems and procedures in place to deal with a range of operational issues as they arise.

**Quality Evaluation**

Quality Management will be conducted in accordance with Ministry of Health’s Quality Assurance Framework. For DSS, the Quality team’s annual activity is based on the agreed Audit and Evaluation Plan.
### 4.3 Performance Monitoring and Evaluation

The 2017/18 Audit and Evaluation Plan is funded from NDE (circa $0.7m) and contains a 10% financial contingency for unplanned activity.

### C. Describe the method proposed to evaluate the impact of the initiative [if appropriate].

The following list are key stakeholders identified by DSS in its delivery of the DSS appropriation:

- DSS users
- service providers
- DHBs
- Peak bodies – both provider and disabled persons’ representative organisations
- NGOs
- carers & care organisations
- Office for Disability Issues
- Human Rights & Disability Commissioners
- Minister and Associate Minister of Health
- Treasury
- Government agencies, including: MSD, MOE, MVCOT, ACC, HNZ, MOJ, IRD
- other business units within MOH, e.g. Mental Health, Health of Older People
- professional bodies
- research organisations and researchers
- careers and workforce organisations
- trade unions

BAU includes not only service delivery but active monitoring of contract provision, analysis and evaluation of performance management reporting, quality audits and resolution of any incidents or complaints recorded.

### D. Financial Summary

Budget bid cost of $85.84m breakdown in Appendix 1 below
§ 9(2)(b)(i)