

SETTLEMENT AGREEMENT

BETWEEN All Home and
Community based
Support Service
providers

Employers

AND All Home and
Community based
Support Service
workers and Unions

Employees

AND All 20 District Health
Boards

DHBs

AND **The Crown**

Agreed Terms of Settlement

1. Summary

- 1.1. The parties have agreed to enter this Agreement (the Agreement) in order to resolve significant issues facing the Community Health Sector.
- 1.2. It is intended that this Agreement will take effect when the conditions in clause 3.0 of the Agreement have been met.
- 1.3. A similar arrangement between the Employers, the Employees, the Crown, Unions and the Accident Compensation Corporation will also be negotiated and will be subject to the satisfaction of all parties.
- 1.4. This Agreement addresses the following matters:
 - Part A: Payment for travel; and
 - Part B:

In Part A:

Qualifying Employees will be compensated at, at least the minimum wage for time spent travelling between client homes from 1 July 2015, as well as travel mileage from 1 March 2016 at, at least 50 cents per kilometre.

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Additionally, the Parties will explore moving to 60 cents per kilometre reimbursement within ongoing affordability parameters to occur from 1 July 2016.

In **Part B** of the settlement, it is proposed that a Director-General's Reference Group is established by 30 November 2014 to cover two work streams. The first work stream will conduct an investigation into the health-funded HCSS and report back to the Director-General by 30 June 2015. The second work stream will develop and oversee the transition of the workforce to a regularised workforce within 24 months of signing the settlement agreement. Any new models of care, delivery of service or change to the employment model will be developed within the approved available HCSS funding.

It is intended that a regularised workforce will provide the majority of workers with guaranteed hours and workloads, and that the workforce is paid a wage, as opposed to the current workforce which is paid on a piecemeal basis as assignment workers. The wages will be paid based on the required level of training of the worker. Training will enable Level 3 New Zealand Certification qualifications within two years of commencing work consistent with the service needs of the population.

The regularised model is expected to be beneficial for all parties involved and will ensure continued viability of HCSS as a cost effective alternative to residential care. Regularisation of the HCSS workforce will allow the majority of home care workers to be paid wages based on a regular employment model. This model will help ensure that there are no reductions to client hours as a result of travel time.

The fiscal implications of Part B will be considered by the Director-General's Reference group in the first instance with the expectation that any changes will occur within the existing available and approved HCSS funding. Any additional proposals, as result of future work streams, outside the parameters of the existing funding will be considered as new policy subject to new consideration by Cabinet through the future Budget process.

2. Principles

This Agreement is based on paramount principles agreed between the parties that:

- (a) provide a commitment to transitioning to a regularised workforce within a timeframe that allows consideration of the fiscal and environmental constraints; and
- (b) provides a commitment to a support service model which is financially viable and can meet the on-going needs of the home and community population; and
- (c) provides a support service model that ensures that overall no worker is financially disadvantaged by Part A of this settlement.
- (d) Consistent with Cabinet Minutes (14) 10/14 and (14) 30/6 the parties will keep the Minister of Health informed of the implications of transitioning to a regularised workforce and the fiscal implications.

3. Conditions

3.1. This agreement is conditional in all respects on Cabinet approval and following such approval is conditional in all respects on each of the following matters:

- i. the support of the Unions and Employers to achieve ratification by a majority of Employees, who participate in the vote, of each Employer;
- ii. ratification by a majority of affected Employers who participate in the vote and are collectively responsible for more than 80 percent of Home and Community Based Support Service delivery volumes as at the date of this Agreement;
- iii. ratification by a majority of the DHBs who participate in the vote and are collectively responsible for more than 80 percent of Home and Community Based Support Service delivery contracts as at the date of this Agreement including authorisation for Chris Fleming to sign the agreement on behalf of the DHBs;
- iv. similar arrangements between the Employers, the Employees, the Crown, unions and the Accident Compensation Corporation are negotiated and will be subject to the satisfaction of all parties;
- v. notification by each party that it is satisfied in all respects that the Legislation (defined below) is consistent with the terms of the settlement recorded in this agreement; and
- vi. a more detailed analysis than has occurred to date, to be undertaken by an independent third party in respect of Part A matters, beginning once Cabinet approval for the settlement has been gained and reporting back to the Parties by 28 November 2014. The matters to be reviewed and verified will be agreed by the Parties in a Terms of Reference including, but not limited to, such things as the impact of implementation of the travel time and cost model noting situations where there is no travel between clients, the impact of non-payment for travel cost for the first visit and the funding required to ensure no worker is disadvantaged, the impact of replacing the Fair Travel Policy and the assessment of exceptional travel. The parties will meet by 8 December 2014 to discuss the analysis.

If an issue relating to Part A sustainability arises in the view of one of more of the parties, the parties will address the issue in good faith including ensuring that no party is financially disadvantaged in relation to their current arrangements and those agreed in this Agreement and associated funding contracts (including the proposed funder variation in this Agreement).

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- vii. The parties shall use best endeavours to obtain the approvals and ratification referred to above and upon obtaining such approval or ratification shall immediately notify the other parties in writing. Any such notification which confirms approval or ratification in accordance with this clause shall be conclusive evidence that the relevant condition has been satisfied;
- 3.2. Each of the conditions in clauses 3.1(i), (ii) (iii) and (iv) must be satisfied on or before 4:00pm on 30 November 2014 unless a later date is agreed to by the parties. The terms of this agreement will come into effect subject to agreement with the legislation and when the outcome of the independent review is agreed.
- 3.3. Once the draft Legislation is available for circulation, each party shall receive a finalised copy to review and check for consistency with clause 3.1(v);
- 3.4. for completeness, it is noted that there is currently a test claim at the Employment Relations Authority dealing with the issues of wage payments for in-between travel (the Claim) during work hours. The parties to this agreement have determined to resolve the Claim and issues arising from it by agreement on the terms set out in this agreement.
- 3.5. Once the parties are satisfied that the legislation and this agreement meet all requirements, the Public Service Association undertakes that the current claim in the Employment Relations Authority (*J Goodman v Healthcare of New Zealand Limited*) ("**the Claim**") will be withdrawn;
- 3.6. The parties may agree in writing to extend the timeframe for the above conditions to be met and/or waive/vary a condition. Where such agreement has not been reached and where the conditions are not satisfied within the timeframes set out above, this agreement shall terminate and no party shall have any rights against any other party under the terms of this agreement.

Note agreement in minutes of meeting held on 20 November 2014 to extend the timeframe for ratification until 13 March 2015 and for an extension for the report in clause 3.1 (vi) to be approved as necessary following a meeting with the independent assessor.

PART A: PAYMENT FOR TRAVEL

4. In-between travel payments

4.1. For the purposes of this agreement:

- (a) “**Legislation**” shall mean the legislation proposed to be enacted by Parliament which will, amongst other things, have the effect of:
 - (i) limiting the liability of the Employers in respect of Travel and matters relating to Travel to those amounts payable under this agreement as detailed in clauses 5.4(a) and 5.4(b).
 - (ii) effecting consequential amendments to existing employment agreements of Qualifying Employees;
 - (iii) confirming that the arrangements set out in this agreement are lawful in all respects;
 - (iv) that no person shall be entitled to make any other claim against the Employers where the claim is of a similar nature to the claims made in the Claim in respect of the period prior to or after this date this agreement takes effect. The date the agreement takes effect will be recorded in the legislation;
 - (v) confirming the funding transfer from the DHBs and Ministry of Health to the Employers with whom they contract to provide home and community based support services, and from the Employers contracted to provide home and community based support services to the Qualifying Employees for qualifying travel time and qualifying travel costs.
- (b) refer to Appendix 1 for relevant definitions and interpretations regarding payment of travel costs to qualifying employees;
- (c) refer to Appendix 3 for the determination of qualifying travel time and qualifying travel cost payments.
- (d) Refer to Appendix 4 for the agreed travel payment principle and plan for implementation.

4.2. The Employers shall pay Qualifying Employees at least the equivalent of the Minimum Wage for qualifying travel time as defined in this agreement from 1 July 2015;

4.3. The Employer shall reimburse Qualifying Employees a minimum of at least 50 cents per kilometre for qualifying travel costs from 1 March 2016; the minimum allowance will be reviewed annually against the current relevant rates paid by the Inland Revenue Department and adjusted accordingly as funding allows.

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- 4.4. Notwithstanding any other clause in this agreement, no travel payment obligation shall arise in respect of a Former Employee.

The ongoing issue of travel rates will be considered by the Reference Group as part of the work on a regularised workforce (Part B).

5. Funding by the Crown

- 5.1. The Crown shall pay to the DHBs and Ministry of Health being funders of home and community based support services provided under Vote: Health Contracts \$2 million implementation cost described in clause 5.4 in 2014/15, \$36.2 million in the 2015/2016 year for the purposes of funding qualifying travel time and qualifying travel costs, and \$38.6 million in 2016/17 onwards for qualifying travel costs as defined in this agreement. Any additional proposals, as result of future work streams, outside the parameters of the existing funding will be considered as new policy subject to new consideration by Cabinet through the future Budget process.
- 5.2. The funders whether DHBs or the Ministry of Health shall vary existing home and community based support services contracts on a nationally consistent basis to reflect the terms of this Agreement. The variation for DHBs and Ministry of Health is contained in Appendix 2. Funders and providers will be responsible for ensuring each contract is varied according to the national agreement.
- 5.3. Subject to clause 5.4 the Crown Payment shall be paid to the DHBs and the Ministry for disability support services in proportion to the qualifying trips. The payment to the DHBs will be in proportion to the population based funding percentage associated with persons over sixty five.
- 5.4. Should the actual number of qualifying trips for disability support services exceed the number that is funded the Ministry shall bear the cost of the difference.
- 5.5. The DHBs and the Ministry of Health shall pay the employers with whom they contract to provide home and community based support services at least:
- \$20.10 per hour for Qualifying Travel Time from 1 July 2015; and
 - an agreed rate per kilometre for Qualifying Travel Cost reimbursement, beginning with 50 cents per kilometre, plus a 6% margin, from 1 March 2016; and
 - a one-off implementation lump sum of up to \$2 million (apportioned to providers on the basis of \$75.00 per qualifying employee) from the total Vote Health appropriation, for the purposes of establishing travel payments for Employees, to be paid from the Crown funding before 30 June 2015.
- 5.6. The Employers, the DHBs and the Ministry of Health agree to ensure that all Qualifying Employees receive payment for:

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- (a) qualifying travel time as defined in this agreement at, at least the equivalent of the Minimum Wage based on travel bands ; and
- (b) qualifying travel costs as defined in this agreement at, at least 50 cents per kilometre based on travel bands from 1 March 2016.

6. Travel Payments - General

- 6.1. Subject to clause 3.3 of this agreement, the Employers and the Unions agree they will publically support the enactment of the Legislation;
- 6.2. All payments made to Qualifying Employees for qualifying travel time as defined in this agreement are gross payments and will be made in the usual manner by the Employers, with appropriate taxes being deducted.
- 6.3. All payments made to Qualifying Employees for qualifying travel costs as defined in this agreement are non-taxable payments and will be made in the usual manner by the Employers;
- 6.4. The Employers agree to work with employees and unions to ensure that efficient rosters are in place to minimise qualifying travel time.
- 6.5. The Employers and the unions shall agree to a variation to the applicable Collective Employment Agreements to enable Qualifying Employees to receive payment for:
 - (a) qualifying travel time as defined in this agreement at at least the equivalent of the Minimum Wage based on travel bands from the date agreed;
 - (b) qualifying travel costs as defined in this agreement at at least 50 cents per kilometre based on travel bands effective from the date agreed.

The Employers and the Employees shall negotiate similar changes for Employees on individual employment agreements.

- 6.6. The Unions agree that any amendments in relation to clause 6.5 will not give rise to any claim by the Union on behalf of any member of that Union that the Employer has breached any provision of sections 59B or 59C of the Employment Relations Act 2000.
- 6.7. The DHB and Ministry of Health existing payments (disbursed through Fair Travel Policy arrangements and any additional rural or exceptional travel arrangements) to Employers with whom they contract to provide home and community based support services will cease from the introduction of Qualifying Travel costs as they have been superseded by the payments per clause 5.5 above. For clarity, the Parties acknowledge that the 6% margin contained in clause 5.5 above will continue as part of the new model.

7.0 **PART B: Establishment of a Regularised Workforce and Review of the Home and Community Health Sector**

7.1 The negotiations have led to discussions regarding the on-going sustainability of the HCSS model of service delivery under the current employment model. The current employment model does not allow for growth or upskilling of the workforce and there are on-going problems associated with recruitment and retention. Home care workers are currently paid on a piecemeal basis (i.e. each worker receives a payment per client hour), with no guaranteed hours of work or workloads. The needs of clients fluctuate and workloads are impacted when an assigned client is on holiday, in hospital, dies, or enters residential care. In addition, some clients only need services on a short-term basis.

7.2 Discussions have led to agreement by all settlement parties to investigate and implement a transition towards a sustainable regularised HCSS workforce.

Director-General's Reference Group

7.3 It is proposed that a Director-General's Reference Group is established to conduct a review of the health-funded HCSS in one work stream and in the second work stream to consider the viability of transitioning to a regularised workforce within 24 months of the signing of the Settlement Agreement. The parties agree to use their best endeavours to establish this Group by 30 November 2014.

7.4 The Terms of Reference for the first work stream group are detailed in Appendix Five of the Agreement. The group will develop a comprehensive analysis and response to the wider issues, including but not limited to levels of future demand, complexity of future demand, service changes and levels of funding required within sustainable Government funding and any other system or environmental constraints associated with ensuring a sustainable home and community based support sector.

7.5 Work stream One will develop a policy and contractual framework that describes the model of service delivery options aligned to the final report which is to be provided to stakeholders by 30 June 2015.

7.6 The second work stream group will be appointed by the Director-General of Health following receipt of nominations from each of the Settlement parties and will report to the Director-General of Health. This group will explore the impact and affordability of transitioning to a regularised workforce where the majority of workers have guaranteed hours and workloads and are paid a wage as opposed to the current workforce that is paid on a piecemeal basis as assignment workers. A regularised home and community based support workforce is one which has:

- the majority of workers employed on guaranteed hours
- training to enable Level 3 New Zealand Certificate qualifications within two years of commencing work consistent with the service needs of the population
- wages paid on the basis of the required levels of training of the worker
- a case-mix/caseload mechanism to ensure the fair and safe allocation of clients to home care workers at a safe staffing level.

7.7 The Director-General's Reference Group will be led by three to four external knowledgeable experts, appointed by the Director-General, who will govern the work of the two work streams. Working Groups for each of the work streams will be appointed to conduct the review and provide the research and secretariat resources

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for the Reference Group. The Working Groups will be made up of appropriate representatives of all the settlement parties and relevant groups within the Ministry of Health (e.g. Health Workforce New Zealand). The Reference Group's Terms of Reference are attached to the Settlement Agreement at Appendix Five.

- 7.8 The Director-General's Reference Group will be funded through the Ministry's provision of an appropriate budget.
- 8.0 This agreement is signed on 10 September 2014 noting the agreement does not come into effect until all the conditions in clause 3.0 of the Agreement have been met including the agreed outcome of the independent review.

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Signatures

For and on behalf of 20 DHBs:

(signature)

Name

Position

Date

For and on behalf of Healthcare of New Zealand Ltd:

(signature)

Name

Position

Date

For and on behalf of Access Home Health Ltd:

(signature)

Name

Position

Date

For and on behalf of PSA :

(signature)

Name

Position

Date

For and on behalf of Ministry of Health:

(signature)

Name

Position

Date

For and on behalf of SFWU:

(signature)

Name

Position

Date

For and on behalf of NZCTU:

(signature)

Name

Position

Date

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It is noted that the Home and Community Health Association (HCHA) was part of negotiations and it endorses the initiatives contained in this Agreement.

Appendix 1 Agreement Definitions

Appendix 2 DHBs Variation to Home and Community Support Services agreements

Appendix 3 Determination of Travel Payment Rates

Appendix 4 Travel Payment Principles and Implementation Mechanisms

Appendix 5 Director General of Health's Reference Group Terms of Reference

Appendix 1. Definitions and interpretations

1. For the purposes of this agreement:

- (a) **“Employee”** means an employee of an Employer.
- (b) **“Employer”** means a service provider with a Home and Community Support Services agreement with a District Health Board or the Ministry of Health for publicly funded contracts.
- (c) **“Union”** means the Public Services Association and/or the Service and Food Workers Union and/or any other registered union representing Employees.
- (d) **“Qualifying Employees”** means non-salaried employees of the Employers who are required to travel between clients’ homes in the course of their duties to provide publicly funded home based community support services from the date this agreement takes effect;
- (e) **“Former Employees”** means Qualifying Employees for whom their employment terminated prior to the date this agreement takes effect and for whom this agreement does not apply;
- (f) **“Minimum Wage”** means the applicable minimum hourly rate of wages under the Minimum Wage Order prescribed under the Minimum Wage Act 1983;
- (g) **“travel area”** means one or more geographic areas grouped together based on Statistics New Zealand classifications;
- (h) **“travel band”** means one or more geographic areas grouped together within one or more travel areas based on New Zealand Postal Codes;
- (i) **“qualifying travel time”** means the weighted average time per client visit assigned to the travel band applicable to the client’s location excluding travel to and back from the workplace (as further outlined in Appendix 3);
- (j) **“qualifying travel costs”** means the per kilometre travel rate, as set out in this Agreement, to be reimbursed to a Qualifying Employee travelling between clients’ homes as required in the course of their duties based on travel bands other than to and from the workplace (as further outlined in Appendix 3);
- (k) **“Exceptional travel”** means travel which falls outside of the agreed travel bands but for all other purposes would include qualifying travel time and qualifying travel costs (Note examples in Appendix 3: Criteria will need to be determined based on travel distance, availability of care workers, and acuity and behaviour of the client.)

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Variation to every Agreement

between

**Each of the 20 DHBs
And Ministry of Health**

and

**Each Provider of Home
and Community Based Support
Services**

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APPENDIX 1: LIST OF DISTRICT HEALTH BOARDS

APPENDIX 2: LIST OF HOME AND COMMUNITY BASED SUPPORT SERVICES PROVIDERS

A: SUMMARY

A1 Definitions

- a. “**DHBs**” means all 20 District Health Boards as listed in Appendix 1
- b. “**Providers**” means all Home and Community Based Support Services Providers as listed in Appendix 2
- c. Ministry when referred to in this Variation means the Ministry of Health acting as a funder for Disability Support Services

A2 The Agreement

- A2.1. The DHBs, Ministry of Health and Providers entered into an Agreement concerning the payment of travel time and travel costs incurred during the provision of Home and Community Based Support Services (“the Agreement”). The Agreement shall come into effect On the satisfaction that all conditions in clause 3.0 of the Agreement have been met including the agreed outcome of the independent review.

A3 Variation

- A3.1. This Variation varies all contracts currently held between DHBs, the Ministry of Health and Providers to give effect to the Agreement.

A4 Variations to this document

- A4.1 Any variation to this agreement relating to the payment of travel time and travel costs incurred during the provision of Home and Community Based Support Services must be agreed nationally between all parties.”

- A4.2 The parties acknowledge that the travel costs funding model is based on an hourly rate significantly below the sector average contract rate. Accordingly, any statutory minimum wage increase is likely to have a material impact on the sector in relation to the payment of travel costs.

The Settlement Agreement recognises that there will be an increase to the minimum wage from 1 April 2015, and costings have been based on a minimum wage of up to \$14.75 per hour from the beginning of this Agreement (1 July 2015). If:

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- (a) The Minimum Wage increase in April 2015 means the rate is higher than \$14.75; and/or
- (b) From July 2015 there are any further adjustments to the statutory minimum wage;

within 20 working days of notification of (a) and (b) above, a meeting between the parties will be held to seek to agree a process to identify and quantify the impact or potential impact of the minimum wage adjustment on the provision and on-going sustainability of services. The reporting requirements of Cabinet Minute 14 (10) 14 will apply.

- A4.3 If any party invokes this clause in relation to a potential variation required as a result of a minimum wage increase, the procedure in this clause will be carried out as a national process. As part of the national process all reasonable steps will be taken to notify all parties of the potential variation and invite them to participate in the national process.
- A4.4 All parties will act in good faith and use best endeavours to identify and quantify the impact or potential impact of the minimum wage increase within the timeframe.
- A4.5 Where the parties are not able to agree that there is an impact on the provision of services as a result of a minimum wage increase, an independent assessment will be sought within one month of notification of the issue and the parties will be guided by the results of the independent assessment which should be provided within 20 working days.
- A4.6 Where all parties agree, or the results of an independent assessment indicate, that there is an impact on the provision of services resulting from the minimum wage increase, all parties will then seek to:
 - (a) agree a variation which may include without limitation:
 - a. reconfiguration of the services; and/or
 - b. adjustment to prices or payments in respect of the services; or
 - (b) present to the Minister of Health and Minister of Finance, pursuant to Cabinet Minute (14) 30/21,
- A4.7 The Agreement may be varied any time on written notice:
 - (a) if it is necessary to comply with a change in law; or
 - (b) if it is necessary to comply with a Crown direction; or
 - (c) if the Crown funding agreement between the parties is varied or amended and the effect of any such variation or amendment is that a

variation is needed so the parties can comply with obligations under the Crown funding arrangements

A4.8 Any variation must be in writing and must be signed by all parties.

A4.9 The procedure in this clause may be utilised only once in respect of each minimum wage increase.

A5 Commencement Date

This variation is signed on 12 September 2014 noting the variation does not come into effect until all the conditions in clause 3.0 of the Agreement have been met including the agreed outcome of the independent review.

A6 Signatures

A separate variation will be signed by each funder and provider for each contract.

B: VARIATION TO FUNDING ARRANGEMENTS

B1. Changes to the current home and community based support services contracts

- The DHBs, Ministry of Health and Providers agree to import this variation into each current home and community based support services contract:

B2. Definitions and interpretations

- For the purposes of this variation:
 - (a) **“Qualifying Employees”** means non-salaried employees of the Employers who are required to travel between clients’ homes in the course of their duties to provide home based community support services from the date this variation takes effect;
 - (b) **“Former Employees”** means Qualifying Employees for whom their employment terminated prior to the date this variation takes effect and for whom this variation does not apply
 - (c) **“Minimum Wage”** means the applicable minimum hourly rate of wages under the Minimum Wage Order prescribed under the Minimum Wage Act 1983;
 - (d) **“travel area”** means one or more geographic areas grouped together based on Statistics New Zealand classifications;
 - (e) **“travel band”** means one or more geographic areas grouped together within one or more travel areas based on New Zealand Postal Codes;
 - (f) **“qualifying travel time”** means the weighted average time per client visit assigned to the travel band applicable to the client’s location other than travel to and from the workplace (as further outlined in Appendix 3);
 - (g) **“qualifying travel costs”** means the per kilometre travel rate, as set out in the Agreement, to be reimbursed to a Qualifying Employee travelling between clients’ homes as defined in this variation other than to and from the workplace (as further outlined in Appendix 3).

B3. Travel payments

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- The Providers shall pay Qualifying Employees at least the equivalent of the Minimum Wage for qualifying travel time as defined in this variation from the date agreed through the Agreement;
- The Provider shall pay Qualifying Employees a non-taxable allowance of at least 50 cents per kilometre for the qualifying travel costs from the date/s agreed in the Agreement;
- Notwithstanding any other clause in this variation, no travel payment obligation shall arise in respect of a Former Employee.

B4. Funding by the DHBs and Ministry of Health

- The DHBs and Ministry of Health shall pay the Providers with whom they contract to provide home and community based support services at least:
 - \$20.10 per hour for Qualifying Travel Time from 1 July 2015; and
 - an agreed rate per kilometre for Qualifying Travel Cost reimbursement, beginning at 50 cents per kilometre, plus a 6% margin, from 1 March 2016; and
 - a one-off implementation fee (lump sum of up to \$2 million) of \$75.00 per qualifying employee from the total Vote Health appropriation through the agreed funding mechanism in the Agreement, for the purposes of establishing travel payments for Employees, to be paid from the Crown funding before 30 June 2015.
- The Providers agree to ensure all Qualifying Employees receive payment for:
 - (a) qualifying travel time as defined in this variation at the date agreed in the Agreement, at at least the equivalent of the Minimum Wage ;
 - (b) qualifying travel costs as defined in this variation and at the date/s agreed in the Agreement,

The DHB and Ministry of Health existing payments (disbursed through Fair Travel Policy arrangements and any additional rural or extraordinary travel arrangements) to Employers with whom they contract to provide home and community based support services will cease from the introduction of travel reimbursements as they have been superseded by the payments per clause B 4 above. For clarity, the Parties acknowledge that the 6% margin contained in clause B4 above will continue as part of the new model.

B5. General

- All payments made to Qualifying Employees for travel time as defined in this variation are gross payments and will be made in the usual manner by the Providers, with appropriate taxes being deducted;

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- All payments made to Qualifying Employees for qualifying travel costs as defined in this variation are non-taxable payments and will be made in the usual manner by the Providers;
- The Providers agree to work with employees and unions to ensure that efficient rosters are in place to minimise travel time and trips.

VARIATION APPENDIX 1

The 20 District Health Boards (DHB) are:

Northland DHB

Waitemata DHB

Auckland DHB

Counties Manukau DHB

Bay of Plenty DHB

Waikato DHB

Tairāwhiti DHB

Taranaki DHB

Lakes DHB

Hawke's Bay DHB

Whanganui DHB

MidCentral DHB

Wairarapa DHB

Hutt Valley DHB

Capital & Coast DHB

Nelson Marlborough DHB

West Coast DHB

Canterbury DHB

South Canterbury DHB

Southern DHB

VARIATION APPENDIX 2

THE PARTIES AGREE THAT SERVICE PROVIDERS MAY BE ADDED, DELETED OR AMENDED BY AGREEMENT.

THE HOME AND COMMUNITY BASED SUPPORT SERVICES PROVIDERS ARE:

Access Home Health Limited
Aged Care Central Ltd (Maryann Rest Home)
Ali's Home Help Limited
Aotea Health Limited
Auckland DHB
Canterbury DHB
CCS Disability Action Bay of Plenty Incorporated
CCS Disability Action Tairāwhiti Hawkes Bay Incorporated
Central Health Limited
Central Otago Living Options Limited
Christchurch Residential Care Limited
Community Connections Supported Living Charitable Trust
Community Living Limited
Counties Manukau Homecare Trust
Disabilities Resource Centre Trust
Disability Resource Centre Southland Charitable Trust
Forward Care Home Health Limited
Geneva Healthcare Limited
Geneva Northlink Healthcare Limited
Healthcare of New Zealand Limited
Healthcare Rehabilitation Limited
Healthvision (New Zealand) Limited
Hokianga Health Enterprise Trust
Home Support North Charitable Trust
Huakina Development Trust Board
IDEA Services Limited
Independence House Connelly Trust
IRIS Limited
Korowai Aroha Trust
Lavender Blue Nursing and Home Care Agency Limited
Manawatu Supported Living Trust
Miranda Smith's Personal Home Care Limited
Nelson Marlborough DHB
Nelson Nursing Service Ltd
New Zealand Care Ltd
Ngati Hine Health Trust Board
Ngati Porou Hauora Charitable Trust Board
Ngati Ranginui Home and Community Support Services Company
Ngati Whatua O Orakei Health Clinic Limited
Omahanui Homecare Limited
Pacific Island Homecare Services Trust

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PACT Group
Pasifika Integrated Health Care Limited
Presbyterian Support (Northern)
Presbyterian Support (South Canterbury) Inc
Presbyterian Support (Upper South Island)
Presbyterian Support Central
Q-Nique Limited
Royal District Nursing Service New Zealand Limited
Shirley's Home Care Limited
Spectrum Care Trust Board
Tautako Service Charitable Trust
Te Ata Resthome Partnership
Te Hauora O Te Hiku O Te Ika Trust
Te Kohao Health Limited
Te Korowai Hauora o Hauraki Incorporated
Te Oranganui Trust Incorporated
Te Puna Ora Mataatua Charitable Trust
Te Roopu Taurima o Manukau Trust
Te Runanga O Ngai Te Rangi Iwi Trust
Te Runanga O Ngati Whatua
Te Whanau O Waipareira Trust
The Florence Nightingale Agency (Marlborough) Limited
The LIFEWISE Trust
The Nurse Maude Association
The Salvation Army New Zealand Trust
Tui Ora Limited
Tuwharetoa Health Charitable Trust
VisionWest Community Trust
Waiapu Anglican Social Services Trust Board
Waiheke Health Trust
West Coast DHB
Whaiora Homecare Services Incorporated
Whaioranga Trust

Appendix 3

PART A: AGREED FUNDING AND PAYMENT MECHANISM FOR TRAVEL PAYMENTS

The following outlines the agreed funding and payment mechanism for travel that will be implemented by funders and employers/service providers (“providers”) in the Home and Community Support Services health and disability sector.

In summary:

- Funding and employee payment mechanisms will be based on the minimum wage and cost per travel band.
- Travel time funding and travel cost funding and related employee payments will be based on client location (postal codes) aligned to ‘travel bands’ which provides a national schedule of travel payments that are reviewed annually.
- Providers, unions and funders will agree the appropriate ‘travel bands’ and the allocation of the postal codes to travel bands to determine a national schedule.
- A single standard implementation approach able to be utilised across all applicable existing and future contracts.
- Single standard variation applicable to all applicable contracts.

The following provides details of the funding and payment mechanism relating to travel time and cost that will be implemented:

Travel time for Home and Community Support Services

Description	<ul style="list-style-type: none"> • Travel time funding payments and employee payments will be linked directly to the visit to the client. • Payment based on “weighted average” cost per visit in defined ‘band’ areas to differentiate between costs within geographic areas with markedly different delivery cost characteristics. • A single national travel band schedule will be developed that lists the travel bands with prescribed average travel time and average travel distance. This will list the travel funding and employee payments associated with each band. The schedule will also include a listing of postcodes mapped to bands. • The national travel band schedule will form part of Funders’ contract and subsequent variations. • The travel band schedule will be reviewed annually in May by the MOH, unions and providers and updated for changes such as changes to postcodes, significant variations in averages with bands or any other factors. Any updated schedule is updated to all contracts with an effective date the following 1 July. • The national travel band schedule will be supplied to all Providers and unions in standard Electronic format for ease of implementation into their systems. • The following is an illustration of the travel band schedule 					
	Average Travel Time per Visit (minutes)	Average Travel Distance per Visit (KM)	Travel time Funding per band	Travel cost Funding per band	Travel time Employee payment per band	Travel cost Employee payment per band
Band 1	5	2.5	\$ 1.71	\$ 1.50	\$ 1.19	\$ 1.38
Band 2	10	5	\$ 3.42	\$ 3.00	\$ 2.38	\$ 2.75
Band 3	15	10	\$ 5.13	\$ 6.00	\$ 3.56	\$ 5.50
Band 4	20	20	\$ 6.83	\$ 12.00	\$ 4.75	\$ 11.00
Band Exceptional travel	30	40	\$ 10.25	\$ 24.00	\$ 7.13	\$ 22.00

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	<ul style="list-style-type: none"> The following is an illustration of a schedule that links Post codes to bands: <table border="1" data-bbox="427 331 901 539"> <thead> <tr> <th>Post code</th> <th>Band Identifier</th> </tr> </thead> <tbody> <tr> <td>1234</td> <td>Band 1</td> </tr> <tr> <td>1235</td> <td>Band 1</td> </tr> <tr> <td>1236</td> <td>Band 3</td> </tr> <tr> <td>1237</td> <td>Band 1</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Band identifiers will be determined based on different levels of travel time and distance. Postal codes will be linked to band identifiers based on analysis completed that determines the average travel time and distance for the postal code. Client address based on post code will be linked to band area to determine by visit the funding and payment to employees. Additional band variations maybe required for Christchurch (roading conditions due to earthquake) and Auckland (congestion). Exceptional Travel process and guidelines that provides for additional funding and payment to employees for extreme remote rural clients, some iwi based arrangements and/or exceptional travel required due to the complexity level of the client and the related specialist level of qualified staff required needs to be agreed as part of the implementation process including the approval process by Funders. This to be handled by an exception process (small volumes but significant cost to Provider) based on actual travel time and cost. Criteria will need to be determined based on travel distance, availability of care workers, and the level of acuity and behaviour of the client. 	Post code	Band Identifier	1234	Band 1	1235	Band 1	1236	Band 3	1237	Band 1
Post code	Band Identifier										
1234	Band 1										
1235	Band 1										
1236	Band 3										
1237	Band 1										
Funding method	<ul style="list-style-type: none"> A national schedule will be determined for Travel time funding rates by defined bands. The travel time band funding rates will be based on travel time for the band multiplied by the hourly funding payment rate. Clients will be allocated to “travel bands” based on their residential postal code. The provider will receive a funding payment based on a client visit determined from the travel band applicable to the client postal address. The hourly travel time funding rate is a single national funding rate (see further details in Part B of this Appendix). Funding to providers is via the normal invoice mechanism providing details of client visits, postal codes and bands that reflect the funding payment rate per band. Exceptional travel method to be agreed as part of the implementation process. 										
Employee payment method	<ul style="list-style-type: none"> The employee will receive a travel time payment based on client visit determined from the travel band applicable to the client postal address. This will be based on the national schedule of postal codes assigned to travel band identifiers. The travel band payroll rate will be based on travel time for the band multiplied by the agreed hourly wage rate. The hourly wage rate will be based on the minimum wage of \$xx as at 1 April 2015. Travel time payment per client visit is taxable payment to employee. Travel time payments defined in the national schedule can be agreed 										

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	<p>as the minimum payment within IEA and CEA agreements.</p> <ul style="list-style-type: none"> • Travel payments per wage period to workers will be itemised. • Exceptional travel method to be agreed as part of the implementation process.
First visit	The first client visit each day by an employee is not funded or paid to the employee unless as part of exceptional travel.
Split shift and subsequent visits	When an employee is required to work a split shift the first visit in the second or subsequent part of the shift will be funded and paid to the employee. All client visits to include travel time payments and travel cost payments excluding the first trip of the day.

Travel Cost

Description	<ul style="list-style-type: none"> • Travel cost funding payments and employee payments will be linked directly to the visit to the client. • A single national travel band schedule will be developed that lists the travel bands with prescribed average travel time and average travel distance. This will list the travel funding and employee payments associated with each band. The schedule will also include a listing of postcodes mapped to bands. • The national travel band schedule will form part of Funders' contract and subsequent variations. • The travel band schedule will be reviewed annually by MOH and providers and unions in May and updated for changes such as changes to postcodes, significant variations in averages with bands or any other factors. Any updated schedule is updated to all contracts with an effective date the following 1 July. • The national travel band schedule will be supplied to all Providers in standard Electronic format for ease of implementation into their systems. See above for illustration of travel band schedule • Exceptional Travel process and guidelines that provides for additional funding and payment to employees for extreme remote rural clients and/or exceptional travel required due to the complexity level of the client and the related specialist level of qualified staff required needs to be agreed as part of the implementation process including the approval process by Funders. This to be handled by an exception process (small volumes but significant cost to Provider) based on actual travel time and cost. Criteria will need to be determined based on travel distance, availability of care workers, and acuity and behaviour of the client.
Funding method	<ul style="list-style-type: none"> • A national schedule will be determined for Travel cost funding rates by defined bands. • The travel cost band funding rate will be based on average kms for the band multiplied by the funding kilometre rate. • Clients will be allocated to "travel bands" based on their residential postal code. • The provider will receive a travel cost funding payment based on client visit determined from the travel band applicable to the client postal address. • The funding kilometre rate is a single national funding rate and

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	<p>reflects employee travel expense costs as well as provider related administration and processing costs.</p> <ul style="list-style-type: none"> • The funding kilometre rate from 1 March 2016 is 50 cents per km, plus a 6% margin.. • Funding to providers is via the normal invoice mechanism providing details of client visits, postal codes and bands that reflect the funding payment rate per band. Exceptional travel method will be agreed as part of the implementation process.
Employee payment method	<ul style="list-style-type: none"> • The employee will receive a travel cost payment based on a client visit determined from the travel band applicable to the client postal address. • A national schedule will be determined for Travel cost payroll payments by defined bands. • The travel band payroll rate will be based on average km for the band multiplied by the agreed employee kilometre rate. • Travel cost payment per client visit is a non-taxable payment to employee. • The national schedule can be agreed as the minimum payment within IEA and CEA agreements. • Travel payments per wage period to workers will be itemized. • Exceptional travel method will be agreed as part of the implementation process.
First visit	<p>The first client visit each day by an employee is not funded or paid to the employee unless as part of exceptional travel. The criteria will be defined but will include factors such as travel distance, availability of care workers, and the level of acuity and behaviour of the client.</p>
Split shift and subsequent visits	<p>When an employee is required to work a split shift the first visit in the second or subsequent part of the shift will be funded and paid to the employee. All client visits to include travel time payments and travel cost payments excluding the first trip of the day.</p>

Appendix 4 **Travel Payment Principles and Implementation Mechanism**

This Appendix outlines the agreed high level principles relating to the implementation of the Agreement's travel payments.

A high level project plan will be developed by the parties for the implementation of the Agreement and associated funding and payments. This plan will be developed jointly by Ministry of Health, funders and providers. The plan will take into account the timing of a number of items including:

- Settlement agreement and legislation processing and implementation.
- Finalisation of the bands and allocation of the postal codes.
- Provider and employee change management including collective employment agreement (CEA) and individual employment agreement (IEA) amendments.
- Funder payment processing systems and process changes.
- Provider client management and payroll systems changes and the availability of information to both invoice funders and pay employees.
- The incremental introduction of travel time payments and travel cost payments.

The completion of these activities will determine the implementation timeframe for fully implementing this Agreement. It is expected that the implementation will take a number of months to complete. The Crown Contribution for travel mileage payments commences from 1 March 2016.

Accordingly, the parties have agreed to the following principle:

1. Funders, Employers and unions wish to implement the funding and employee payment mechanisms as soon as possible after the settlement agreement is agreed and signed.

Appendix 5

Director General of Health's Reference Group

TERMS OF REFERENCE

Better Community and Home Support services for all New Zealanders

It is intended that an independently convened Director-General's Reference Group will be established before 30 November 2014.

The Director-General's Reference Group will be led by three to four external knowledgeable experts, appointed by the Director-General, who will govern the work of two work streams. Working Groups for each of the work streams will be appointed to conduct the review and provide the research and secretariat resources for the Reference Group. The Working Groups will be made up of appropriate representatives of all the settlement parties and relevant groups within the Ministry of Health (e.g. Health Workforce New Zealand).

In the first work stream the group will develop a comprehensive analysis and response to the wider issues, including but not limited to:

- levels of future demand
- complexity of future demand
- service changes and levels of funding required within sustainable Government funding
- and any other system or environmental constraints associated with ensuring a sustainable home and community based support sector

The Home and Community Health and Support sector provides direct support to approximately 40,000 older people, people with chronic health conditions and disabled people in their homes every day. The sector is facing significant and escalating issues relating to the ageing population and chronic disease growth at a time when the primary and secondary health sectors are at capacity and needing increasing support from this third sector. Furthermore the cross-Government support system has begun a transition towards disabled people having increased choice and control over the supports they receive and the lives they lead. The Home and Community Health and Support sector's challenges impact on all New Zealanders and it is therefore a matter of significant public importance.

The working group for work stream one will conduct the review and provide recommendations as to a Community Sector development programme on how the Government can achieve:

- a clear mandate and operating platform for community and home based service delivery that complies with the Home and Community Support Sector Standards.
- effective, efficient service operations that will provide value for money in the future that lead to better outcomes for service users in the health and disability sectors;
- a sustainable, stable and equitable funding system for services;

-
- an agreed and prioritised range of key services, as a minimum, that will be implemented nationally in a consistent manner that ensure people receiving services are safe; and
- a concise 3 year strategic development roadmap for services and the associated workforce associated with community and home health, ACC rehabilitation and disability support services.

The work of the work stream one Group shall inform and assist the work of the second work stream group so that the key stages of the implementation of a regularised workforce can proceed concurrently with the work of the first work stream. The first work stream is the first phase of the development and reform of New Zealand's Home and Community Health Support Services sector.

Work stream One Context

Cabinet has agreed to a review of the Home and Community Health Support Services to ensure these services are designed and being delivered efficiently and effectively, and continue to provide value for money in the future while meeting the current and future health and social outcome priorities of the Crown.

The first work stream of the Director-General's Reference Group will be led by and comprised of independent knowledgeable experts that will work with a working party comprising Ministry of Health (including Health Workforce New Zealand), District Health Boards, ACC, Union and Provider representatives. The Ministry will resource the Review.

The Director-General's Reference Group will be convened by 30 November 2014 with an expectation of a final published report from work stream one completed by 30 June 2015.

Work stream Two Context

The second work stream group will be appointed by the Director-General of Health following receipt of nominations from each of the Settlement parties and will report to the Director-General of Health. This group will explore the impact and affordability of transitioning to a regularised workforce where the majority of workers have guaranteed hour and workloads, paid a wage as opposed to the current workforce that is paid on a piecemeal basis as assignment workers. A regularised home and community based support workforce is one which has:

- the majority of workers employed on guaranteed hours
- training to enable Level 3 New Zealand Certificate qualifications within two years of commencing work consistent with the service needs of the population
- wages paid on the basis of the required levels of training of the worker
- a case-mix/caseload mechanism to ensure the fair and safe allocation of clients to home care workers at a safe staffing level.

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The Ministry of Health will work with leaders within the Ministry from groups such as Health Workforce New Zealand, the National Health Board and the Information Technology Board, to work with these second work stream Group.

The second work stream is expected to achieve the outcomes defined in sections 7.1, 7.2, 7.3 and 7.6 of the Agreement within 24 months of the signing of the Settlement Agreement.

The two work streams will encompass all areas of home and community support services and will be informed by links to work already underway in the disability support area, aged care and mental health services.

Current Sector Context

Aging population: New Zealand faces the challenges of an Aging population. The population is ageing rapidly. The number of people 65+ is expected to grow by 29% (230,000) in 2010-19 and 24% (280,000) in 2020-29. This demographic shift will put further pressure on health and social welfare budgets.

Chronic disease: Old age and chronic disease are closely related with higher incidences of many chronic diseases including heart disease, diabetes, and strokes increasing with age. The rapid growth in the number of people living with one or more chronic disease threatens the financial sustainability of the health system and New Zealander's access to health services. The Review Panel will consider how appropriate services for this population group can be developed and how the prioritisation of funding can occur for such services to be deployed on a national basis.

Sector Funding: Recent publications and economic forecast analysis conducted by Treasury suggests there must be a funding expectation for Vote Health growth to be limited to 2% per annum. Health expenditure has grown at an average rate of five percent per annum over the last 60 years, and an average eight percent per annum in the 2000s. Treasury is suggesting that this historic rate of growth is unsustainable in the context of an ageing population. The Home and Community Support Services sector is predominantly funded via Vote Health (health and disability services) but also receives funding from ACC. The funding variability between DHB's for the same or similar services varies by 25%+ in regards the rate paid. The total funding provided by DHBs for HBSS in communities varies from 1.8% - 3.2% of the total budget of each DHB. The Director-General's Reference Group will consider how to achieve nationally consistent funding model such that sector best practices services can be provided.

New Service paradigms: District health boards have successfully reduced rest home level bed growth through greater reliance on home based support services. The numbers of rest home level beds are 22% (3000 beds) lower than they would have been had per capita occupancy rates not been reduced. An ageing population means that at 2012/13 occupancy rates a further 7000 beds aged residential care beds will be required by 2021/22. The Review Panel will consider how community and home based service models can seek to mitigate this demand.

Reducing Emergency presentations and acute hospital admissions: The Director-General's Reference Group will consider how community and home based service models,

which are largely reliant upon integrated nursing and home support worker models can mitigate the growing Emergency Department presentations and the resulting acute inpatient admissions which are driving capital and operational costs for DHBs higher.

Community Support Workforce: Services in the Community and home sector are largely delivered by a fragmented non-regularised, semi-trained, itinerant workforce estimated at greater than 20,000. The community care workforce has an older age profile, is female dominated, is more ethnically diverse, has slightly more migrants (overseas born), has lower qualification levels, and has lower incomes [reference BERL Careerforce report]. Low wages (close to or at minimum wage) and poor working conditions mean that the workforce is prone to high turnover especially during times of low unemployment. Recent and forecast economic growth will put pressure on provider's ability to recruit and retain quality staff. The Review Panel will consider what nature of workforce is required in the short and long term in the sector. This information will inform the second workstream group in the implementation of changes in the sector.

The problem

New Zealand's Home and Community Health and Support Services sector currently faces a number of issues, many of which are noted above. In recent times there have been a number of notable reports that acknowledge the challenges and the important future role of community and home based services.

These include reports by the Office of the Auditor-General ("Home-based support services for older people", 2011), Human Rights Commission ("Caring Counts", 2012), Treasury ("Health Projections and Policy Options for the 2013 Long-term Fiscal Statement", 2012; and "Re-orientating the New Zealand health care system to meet the challenge of long-term conditions in a fiscally constrained environment" Professor Nicholas Mays, University of London, 2013); and Enabling Good Lives: A report to the Minister for Disability Issues by the Independent Working Group on "Day Options" August 2011.

There have also been a growing range of legal challenges which are effectively targeting the inadequacy of Crown contracting policies associated with human rights and fair wages.

The lack of a cohesive and agreed strategy and aligned policy for the sustainable operation and development of services in the community and home environments means the sector is increasingly struggling to develop (in a timely manner) nationally consistent service models in response to community demand. The Director-General's Reference Group will recommend a strategic development plan that accelerates service capability within sustainable funding to mitigate the costs of the aging population, to address long term conditions and to partially offset the rising costs traditional hospital and primary sector models.

Scope of work

The Director General's Reference Group will look into the Home and Community Health and Support Services sector and provide recommendations on how the following outcomes might be achieved and implemented:

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Outcome 1: that New Zealand's Home and Community Health and Support Services sector has a clear strategy for the development and delivery of services across funders (District Health Boards and Ministry of Health) on a national basis. This needs to clarify:

- how these services intersect with functions performed by other organisations and people in the health and disability sector including primary and secondary providers;
- how the different strategies required for different groups of people (e.g. older people, disabled people, people with chronic health conditions) can be developed
- how the increasing demands of all service users will be addressed;
- how any increase in sector funding can be economically justified in regards the economic benefits to the health sector; and
- how the sector can be configured to best support client wellbeing, culture, and independence

Outcome 2: the sector is organised and operating as effectively and efficiently as possible within a flexible framework; will provide value for money in the future where support is purchased by contract; and will be delivered within a fair and nationally consistent contracting framework that supports the principle of integrated and "joined up" care

Outcome 3: that there is nationally consistent, sustainable, stable and equitable funding for Home and Community Health and Support Services, with the sources of that funding aligning with the functions that service providers are required to perform.

Outcome 4: that the transition to a sustainable regularised home and community based support workforce is achieved successfully and maintained with the majority of workers employed on guaranteed hours; who have received adequate paid training; have wages linked to qualifications and have a case-mix/case-load mechanism in place to ensure the fair and safe allocation of clients at a safe staffing level.

Deliverables

The Director-General's Reference Group will develop a project plan to meet four stages of work:

- Problems identified and substantiated by evidence;
- Range of potential options identified;
- Key options identified; and
- Options fully developed and assessed, and recommendations drafted.

Final report

The Director-General's Reference Group will provide a final report, which will be publicly available, with recommendations, including the level of funding required to implement all travel costs and regularisation of the workforce, by no later than the end of June 2015 to providers, funders and unions for implementation

Consultation

In undertaking the work of the two work streams, the Director-General's Reference Group is expected to adopt a collaborative approach with relevant stakeholders, and may invite

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focused input from selected organisations, groups and individuals as appropriate, including but not limited to:

- o The Home and Community Health Association New Zealand and major service providers
- o The Ministry of Health
- o District Health Boards
- o ACC
- o Auckland University Health Services Department
- o The New Zealand Public Service Association (PSA)
- o The Service and Food Workers Union
- o The New Zealand Nurses Organisation
- o Leading Primary sector General Practice associations
- o CTU
- o Greypower
- o HRC
- o Careerforce
- o Disabled Persons Assembly
- o Needs Assessment and Service Coordination Association (NASCA)
- o New Zealand Disability Support network (NZDSN)
- o Platform
- o Health Sector Relationship Agreement (HSRA) Steering Group