In April 2017, the Government announced a $2 billion pay equity settlement for 55,000 care and support workers in New Zealand’s aged and disability residential care and home and community support services.

The settlement originates from the TerraNova pay equity claim brought by E tū (previously the Service and Food Workers Union) on behalf of care worker Kristine Bartlett. The case successfully argued that a caregiver’s pay is less than would be paid to a male with the same skill set in a different occupation due to the fact caregivers are predominantly female.

As a result of the settlement, from 1 July 2017, workers will receive a pay rise between 15 and 50 per cent depending on their qualifications and or experience.

This settlement addresses a historic undervaluing of this workforce and will help to support increased qualifications and reduced turnover in the sector, which will result in better care for New Zealanders.

**Change to maximum contribution rates on 1 July**

*Note: if you are already receiving a Residential Care Subsidy this information does not affect you and you do not need to do anything.*

Aged residential care is means-tested and currently 11,070 residents with assets over the Residential Care Subsidy threshold are required to pay the maximum contribution towards the cost of their care. This is set in legislation and equal to the rest home price, which from 1 July 2017 is in a range of $974 and $1063 a week depending on their location.

As a result of the settlement, and the annual increase for general cost pressures, the price residents in aged care facilities with assets above the threshold pay will increase by an average of 9.9 per cent on 1 July 2017.

The increase arising from the impact of the pay equity settlement is $74 a week (including GST). Including the annual price increase of 1.8 per cent for general cost pressures, the total increase will be between $89.88 and $91.42 a week depending on a resident’s location (including GST).
Residents will receive a personalised letter from your aged care facility outlining the specific cost increase for your location.

The price increase was signalled when the pay equity settlement was announced in April and confirmed at annual contract negotiations between DHBs and providers in May.

The Ministry of Health recognises this is a significant increase, however it addresses a historic undervaluation of care and support workforce.

### Changes to asset thresholds on 1 July

<table>
<thead>
<tr>
<th>A single or widowed person in care</th>
<th>Asset Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couples with both partners in care</td>
<td>$224,654</td>
</tr>
<tr>
<td>Couples with one partner in care</td>
<td>Either $123,025 (the family home, car, and a pre-paid funeral of up to $10,000 are exempt assets) Or $224,654 total assets</td>
</tr>
</tbody>
</table>

### How to apply for a Residential Care Subsidy

As a result of these changes you may now be eligible for a Residential Care Subsidy.

If you wish to apply for a review of your eligibility for a subsidy please contact your local needs assessment and service coordination agency who will provide you with the necessary application form. Alternatively, contact Specialised Processing Services at the Ministry of Social Development, freephone on 0800 999 727 or email msd_rcs@ MSD.govt.nz

### Frequently asked questions

1. **What benefits will aged care residents see as a result of the pay equity settlement?**
   The settlement is expected to result in reduced staff turnover and caregivers with higher skills and qualifications which will lead to improvements in the quality of care for residents in aged care facilities.

2. **What is being done to keep future price increases to a minimum?**
   The Ministry, DHBs, providers, and consumer representatives are undertaking a funding model review for aged residential care over the next year which will look at how to provide incentives to keep future cost increases to a minimum.
3. **Will the price increase become a barrier to care for aged care residents?**

This higher care cost does not represent an ongoing barrier to care, as when a resident is aware their assets are approaching the asset threshold, they can apply for an income and asset assessment from Work and Income to determine eligibility for a Residential Care Subsidy to contribute towards the cost of their care. A Residential Care Subsidy application should be made within 90 days once the threshold is reached.

4. **Why isn’t the Government absorbing the price increase?**

Aged care residents with assets above the threshold have always paid the maximum contribution towards the cost of their care. The Ministry of Health recognises this is a significant increase, however it addresses a historic undervaluation of care and support work. Once a resident’s assets drop to the asset threshold, they are no longer required to pay the maximum contribution and they can apply for an income and asset assessment from Work and Income to determine eligibility for a Residential Care Subsidy to contribute towards the cost of their care.

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**Where can I go for more information?**

- Talk to your residential care provider
- Apply for a financial means assessment by calling the Specialised Processing Services at the Ministry of Social Development on 0800 999 727 or email [msd_res@msd.govt.nz](mailto:msd_res@msd.govt.nz)
- Call Seniorline on 0800 725 463

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[www.health.govt.nz](http://www.health.govt.nz)