SYNERGIA

Evaluation of
Individualised Funding
Following the expansion to
new Host Providers

Report for the
New Zealand
Ministry of Health

CONTENTS

1. ACKNOWLEDGEMENTS

The authors wish to thank the many individuals who gave their time to provide information and insight for this evaluation. Their perspectives, whether as service users and their families, community members, IF Host Providers, service providers, NASC professionals and Ministry of Health, have provided a wealth of information to support this review. We thank you for your openness to engage and willingness to contribute.

2. EXECUTIVE SUMMARY

2.1 AIMS AND METHOD

The Ministry of Health (MoH) commissioned Synergia in May 2011 to undertake a wide-ranging evaluation of the Individualised Funding (IF) system, since its expansion to new Host Providers.

At the outset of this evaluation The MoH clearly stated that, going forward, it is firmly committed to Individualised Funding. It is committed to increasing the number of people who utilise IF and also committed to exploring the inclusion of a wider range of services within IF. Hence the evaluation was structured to focus on capturing the learning from IF so far and using this to inform the future roll out and expansion of IF, as opposed to focussing on whether to continue with IF or not. This framing shaped the approach taken to the evaluation and the structure of the findings in this report.

With an evaluation such as this there is always a tension between the views of different stakeholders who have different and valid perspectives of the system. Throughout this report we have tried to represent these differing views and provide a balanced view alongside our interpretation of what people said and the evidence presented.

In addition a programme such as Individualised Funding cuts to the core of the traditional disability system and the purpose and reasons why the state is involved in supporting people in need. To this end the implementation of such a programme often comes up against questions and issues not directly related to it specifically. This evaluation is no different. Issues such as the scale and scope of disability funding and the role of family and friends in providing support were raised. This evaluation cannot answer these issues but surface them for further investigation.

It is also worth noting that the expansion to new Host Providers occurred in mid/late 2010 and hence this evaluation primarily focused on the period from then to August 2011. That said it is difficult to ignore the history of IF in New Zealand, which goes back to 2003. This history provides the background and context to understanding how IF has reached its current position and helps us understand the

dynamics of the expansion of Host Providers and how the learning so far can help to inform the future.

The evaluation uses a multi-method approach encompassing the following elements:

- Face to face and telephone interviews, involving 40+ semi structured interviews
- Financial analysis
- Content review of programme documentation
- Reflections on developments since the 2008 evaluation of Individualised Funding

The original evaluation documentation produced by the MoH set out 13 key areas for the evaluation to investigate, including

1. How the increase in the number of Host Providers has impacted on the uptake and utilisation of IF
2. Identified barriers and supports to improved access to IF in the areas selected for the evaluation.

A full set of the 13 questions is included in Appendix 3.

At the outset, it became clear there is considerable overlap between these questions. If we answered them in sequence and separately, we would lose the richness of the system we are investigating. Therefore, we use the questions to frame our investigations and guide our questioning to frame the key findings of the evaluation. We feel that the key findings answer the questions above, at the same time offering insight into the connections between the findings and thoughts on a number of new areas. A summary of the key findings is below.

2.2 KEY FINDINGS IN BRIEF

The key findings from this evaluation are below. These are explored fully in the body of the report

Individualisation or personalisation via Individualised Funding is the future

There is strong support for IF as a mechanism for enabling citizens of New Zealand to have choice and control over the support they receive from the state. A number of people stated that "IF represents the future for disability support and is the direction we [the system] should be travelling". This view was shared across the range of different stakeholders interviewed, including NASC's, Host Providers, clients and carers.

Individualised Funding is not a service but a mechanism that supports an individualised response

Our investigation of whether to include additional service areas within IF indicated clear support to expand IF to include Out of Family Respite Services, Carers Support and Supported Living. There is some support to include Residential Care, Behavioural Support and Equipment but less support than for other areas.

During these discussions a strong view surfaced that when inside an Individualised Funding context, service areas and silos of funding make little sense. They described how a truly individualised approach to meeting the needs of an individual should not be limited to certain service silos that make little sense to disabled people. Whether an individual chooses to utilise the mechanism of IF to individualise (or personalise) their support has nothing to do with which services are included or not. Hence why discuss which services are inside or outside of the scope of IF? Service areas are labels given to silos of funding and bear little relationship to actual needs and/or how individuals want to meet these needs.

Therefore some interviewees feel quite strongly that ALL funding sources (or services) should be available to individuals as part of an individualised package of support with the mechanism of IF being the operational framework which enables this to happen. Under IF, the language should move away from service areas to a

support system that utilises a range of funding sources to meet the needs of people at an individualised level – in essence IF is a support mechanism not a service that operates in the context of an individualised system.

Dedicated individualised funding framework

Currently the Individualised Funding service specification (framework) refers only to purchasing Home and Community Support Services (HCSS) under the scheme. The findings of this evaluation indicate that it is now time for IF to have its own guiding framework and for IF to be completely independent of HCSS and the HCSS service specification. It's also important to note that in line with the finding above that IF is system not a service, interviewees felt that "framework" was more appropriate language than service specification.

The main reason for IF requiring its own framework is that interviewees thought that having IF within the HCCS service specification constrains what can be done with an IF package.

Updating the HCSS service specification

Host Providers said that the current HCSS service specification does not enable them to be as flexible as they would like to be in order to fully embrace IF. It locks them into hourly rates, types of services and delivery mechanisms that don't suit the flexibility desired by clients / carers whether under an Individualised or traditional funding arrangement. Therefore there is a need to update and refresh the current HCSS service specification to better align with the principles of IF and any new IF framework as well as supporting innovation across traditional disability services provision.

Allocations are increasing but utilisation remains stable

The financial analysis undertaken indicates that allocations for people who move from non-IF to IF are increasing by 14.9%. It also shows that allocation for those who remain on IF are increasing by 25.5% from yr 1 on IF to year 2 on IF. Utilisation appears to be stable across years at approximately 13.9% less than allocations or 86.1% of allocated budget. These trends are of concern and are indicating that those moving onto IF are on average receiving larger support packages than they received previously. These trends should be monitored closely by the MoH.

That said when asked about these trends interviewees were not surprised. They outlined that the roll out of IF was causing people to seek reassessments and to present strong cases to NASCs. This behaviour often results in clients having a comprehensive review and updated needs assessment. These updates are often ahead of the scheduled reviews and are identifying unmet needs and hence are causing appropriate increases in allocation. They also felt that the initial cohort of people accessing IF are on average well informed, understand the system and can articulate their needs clearly. These factors are all believed to be causing some or all of the increases seen in allocations and that it is not solely IF that is driving these changes but complex human behaviours and the dynamics of the initial phases of the roll out of a new and innovative programme.

Concerns over the number and independence of Host Providers

There are concerns that some Host Providers are not independent of service provision. There is also a concern that there are too many Host Providers which, in part, is causing some Host Providers to see IF as financially unsustainable.

Regionalising/nationalising some Host Provider functions

There is evidence that it would be advantageous for some Host Provider services to be nationalised or regionalised. The services that were raised as being in scope include:

- Human Resource support / advice
- Payroll management

Emerging finance issues for IF clients

There is concern that a range of financial risks are emerging for IF recipients. The majority of issues relate to the employment of support workers under IF arrangements and include:

- Redundancy payments
- Management of holiday pay
- Management of sick pay
- ACC payments
- Hiring / firing costs
- Costs of ongoing training and career progression

There is a strong view that it is the responsibility of Host Providers to ensure these issues are managed and they should have appropriate processes in place to manage any perceived risks.

Concerns over NASC processes

It is clear that NASCs have a difficult job. There are concerns however that:

- Some NASCs are making the decision to not offer IF to some clients
- Anecdotal evidence that some NASCs are recommending one Host Provider over another to clients and carers
- There is duplication of work across NASCs and Host Providers.

Support workforce issues

The IF scheme has a strong emphasis on individuals acting as employers and hiring their own support workers. Employment clearly offers increased flexibility for IF recipients, but the extra risks were felt to be unnecessary for most IF recipients. Risks such as possible redundancy payments and lack of appropriate training were identified.

Host Provider funding model concerns

There is concern that the IF Host Provider funding model is not fit for purpose, for three reasons:

1. The levels of service and standard percentage rates do not adequately reflect the pattern of costs for supporting a IF recipient
2. The funding model does not incentivise Host Providers to provide the support that really makes a difference to IF recipients
3. Larger IF packages are subsidising smaller IF packages

This evaluation has found that these concerns are valid and that an update to the funding model should be explored as soon as possible.

Emerging finance issues for Host Providers

A range of financial concerns impacting IF Host Providers were raised. These include:

- The timing of payments for support services and any delays can cause large cash flow issues for Host Providers where they pay IF recipients before receiving payment from the MoH
- Delays in reassessments by NASCs can create additional cash flow issues where Host Providers continue paying IF recipients without formal rollover of a person's allocation
- Administration costs of operating IF host provision are considerably higher than for standard contracts

This evaluation has found that these concerns are valid and solutions to rectifying them should be explored.

2.3 RECOMMENDATIONS

Based on the key findings the following recommendations are provided:

2.3.1 IF Strategic Development

1. The MoH should continue to support the roll out and implementation of IF

2. The MoH should initiate a process to develop an overarching framework for IF

3. The MoH should initiate a review of the IF service specification. This would include removing HCSS from the IF service specification

4. The MoH should review the findings of this evaluation alongside other key work programmes and identify and implications

5. The MoH should initiate work to explore the options (pros, cons and cost / benefit) of establishing a smaller number of regional / national independent IF Host Providers

2.3.2 Financial systems

6. The MoH should incorporate the routine analysis of data using the methods applied in this report and reporting of the results. As a minimum this analysis should explore:
   a. Trends in allocation versus utilisations over time for IF recipients
   b. Trends in representativeness of the populations accessing IF

<ol type="a" start="3">
Further explore the inclusion of additional service areas within IF using learning from New Models of Working pilot

<ol start="7">
The MoH should form an IF financial systems review group involving representatives from Ministry and Host and Non-Host Providers to review and update the IF Host Provider funding model
The scope of the financial systems review group should also include:

<ol type="a">
Exploring options which minimise cash flow issues caused by delays between service delivery and provider reimbursement
Providing guidance on some or all of the following:

<ol type="i">
accrual issues within employer / employee relationship (i.e. Sick pay, holiday pay, redundancy, hiring/firing costs)
Employment dispute / grievance costs
Accruals of funds across financial years
Costs of training and career progression
Management of GST
Management of ACC payments

2.3.3 Processes and training

<ol start="9">
The MoH should continue to support and encourage NASCs and Host Providers to work together to develop clear, integrated processes between that operate across the organisations
The MoH should explore options relating to the training of ALL support workers to a basic level of competency. It is important to ensure that access to any training is fair and equitable for all support workers including those employed by service providers. This work should explore the funding implications of such an initiative including who should pay for this training.
The MoH should work with NASCs and Host Providers to continue to raise the level of knowledge of IF across the system and the consistencies of the information provided to clients, carers and other stakeholders

3. INTRODUCTION

3.1 INDIVIDUALISED FUNDING

3.1.1 Overview of IF

Individualised funding is a payment and hosting arrangement that allows disabled people to directly manage their own care provision. Essentially, IF is a mechanism for purchasing disability support services where the disabled person can directly manage the resources allocated to them. The arrangement gives people greater flexibility, choice, and control over the support they are allocated. People who receive IF have the power to decide:

- who provides the support in their home and how much they're paid
- when the support is provided
- what type of support is provided (as long as it meets the criteria in the service specification)

In practice, the flexibility provided by IF can allow a disabled person to outline a service delivery plan and pick their caregivers while allowing a provider organization to manage the details; right through to employing their own caregivers, managing payment systems and actively managing all aspects of service delivery.

Unlike traditional support services, the IF support allocation is on an annual basis rather than weekly. This gives individuals greater flexibility as they can store up or save hours to spend at some point during the year.

Currently the services available under IF are limited to Home Management and Personal Care as described in the service specification for Home and Community Support Services (HCSS).

3.1.2 Process

For an individual to access Individualised Funding, a needs assessment is first competed by a NASC organisation. The NASC determines whether a person is eligible for HCSS funding and is personally, or through their support networks, capable of managing a budget and directing how service will be provided.
If an individual meets these criteria, the assessor outlines the size of the support package available, and offers a choice of IF Host Providers or, if they prefer, the traditional non-IF service providers.

If a person decides to receive IF, the selected Host Provider contacts them and together they develop an Individual Service Plan. The individual may also be offered a number of options for the level of support provided by the IF host organisation:

- Level 1 has to be offered by IF Host Providers. It is the lowest level of support offered and includes setup information, advice, and coaching as well as ongoing monitoring and invoice processing to allow payments to IF recipients and their service providers.
- Additional services can also be offered by the IF Host Provider to make up higher service levels and can include payroll management, recruitment, helpline support, administration and legal support. The additional services and levels of support can vary by Host Provider.

The IF Host Providers are responsible for monitoring and reporting on utilisation of the IF package, as well as verifying that support services have been delivered so the Ministry of Health can make payments. The accountability for the utilisation of resources rests with both individuals receiving IF and the Host Providers, with both having to keep accurate records of the support services provided.

3.1.3 History of IF

Initially a form of individualised funding was provided in an ad hoc manner through 'discretionary funding' arrangements. These arrangements had limited national guidance and direction, with few processes in place to ensure consistency of service delivery and reduce the risk of funding abuse. Interest from the disability community for greater control over how support services were delivered continued to grow. In response, the Ministry of Health initiated the development of Individualised Funding.

A pilot was established in 2003, with MoH selecting Manawanui In Charge (MIC) as the support agency to provide the IF services. MIC was formed specifically as an Individualised Funding Host Provider. The intention was to roll out the scheme across the country to transition those who had received discretionary funding onto IF, as well as offering it to high cost/high need individuals who expressed an interest in receiving IF.

An evaluation of the IF pilot was released in 2008 which found that although IF was producing positive benefits, the number of people able to receive the funding was less than expected.

Following the report, over the next two years the Ministry of Health further developed the Individualised Funding specification, guidelines, and training tools which opened up the eligibility criteria to include all individuals, rather than limiting it to high cost/high need packages.

In 2010 a number of HCSS service providers were selected as IF Host Providers with the intention of expanding the programme across New Zealand and substantially increasing the number of people for whom IF was a valid alternative to traditional support services.

3.2 FOCUS OF THIS REPORT

The Ministry of Health (MoH) commissioned Synergia in May 2011 to undertake a wide-ranging evaluation of the Individualised Funding (IF) system, since its expansion to new Host Providers.

At the outset of this evaluation The MoH clearly stated that, going forward, it is firmly committed to Individualised Funding. It is committed to increasing the number of people who utilise IF and also committed to exploring the inclusion of a wider range of services within IF. Hence the main aims of the evaluation is to inform the further roll out of IF to more individuals across NZ, as well as explore the potential opportunities for expanding IF beyond the bounds of the HCSS service specification.

In the course of the evaluation the following dimensions were explored:
- Experiences of individuals who are currently receiving IF
- Experiences of IF Host Providers (both new and MIC)
- Experience of NASCs in referring individuals to IF
- Experience of Ministry of Health personnel involved in the development and establishment of IF
- Expert content and technical review
- Financial implications

4. METHOD

4.1 OVERVIEW

The evaluation report draws together analysis of existing quantitative datasets and publications, with qualitative insight of the experiences of people with disabilities, NASC agencies, IF providers and Ministry of Health staff.

The diagram below outlines the high level components of the evaluation.
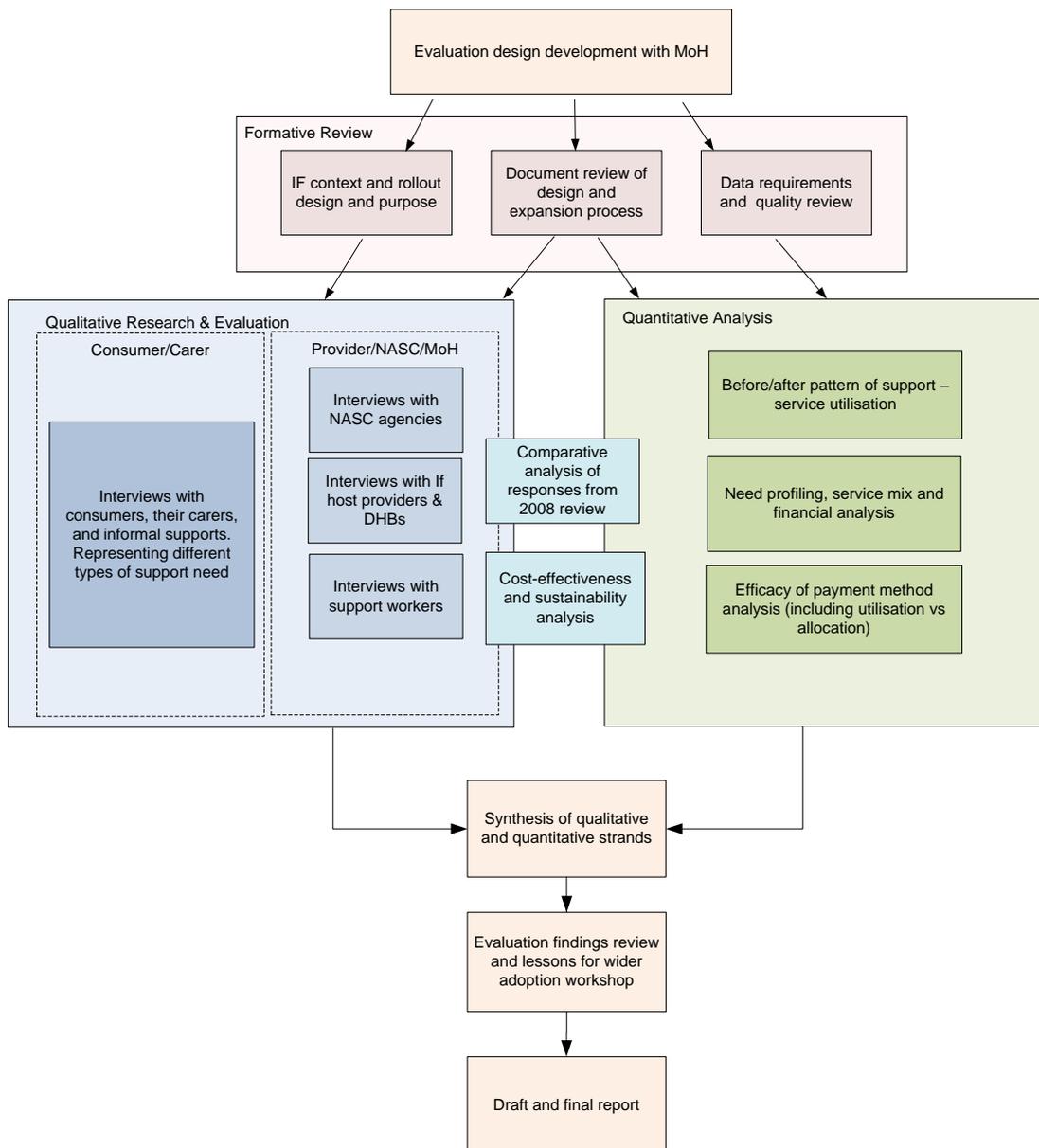
4.2 CONTENT REVIEW

This component of the evaluation examined some of the Individualised Funding publications and resources produced so far in the programme. These included:

- Review of publications produced by the Ministry of Health, including updates and reports on IF progress, Individualised Funding guidelines and other information packages for IF Host Providers, NASCs and consumers.
- Brief review of NZ and international literature of IF to give a greater context
- Examination of some of the information resources (e.g. forms, information pamphlets) produced by NASCs and IF Host Providers outlining the programme and processes
- Review of data and publications produced by the pilot programme, including examining the consumer surveys for MIC, and comparison of evaluation findings with 2008 Pilot evaluation report.

4.3 QUALITATIVE INTERVIEWS

The qualitative research was the most substantial component of the evaluation, involving interviews with IF Host Providers, NASCs, Ministry of Health staff, and consumers and their carers. Over 40 interviews were undertaken across Auckland, Hamilton, Wellington, and Dunedin.

The interviews explored the experience of individuals and organisations with Individualised Funding, insights into issues and challenges that have arisen during the expansion, and views on the further roll-out of IF into the future.

A summary of the interview participants is included in Appendix 2.

4.3.1 IF Host Providers

The majority of IF Host Providers were interviewed over the course of the evaluation. The degree of experience with IF varied between the providers; ranging from providers who were still in the process of establishing IF processes and receiving their first IF clients, through to Manawanui In Charge which has provided IF services since 2003.

The Host Providers interviewed were:
- Lifewise
- Healthcare NZ
- Access Homehealth

- Vision West
- Dunedin Home Support
- Coactive
- Manawanui In Charge

4.3.2 NASCs

NASC agencies were interviewed across of the four regions, and were:
- Capital Support
- Focus (Wairarapa DHB)
- Accessability (Otago/Southland)
- Taikura Trust
- Disability Support Link
- Life Unlimited

4.3.3 Ministry of health staff

Personnel from the Ministry of Health were interviewed to understand the high level policy and strategic directions for Individualised Funding.

4.3.4 Clients who currently receive Individualised Funding

The interview process included clients who received IF packages and their carer/s. These included clients across the country with a range of experiences with IF, from those who had previously received 'discretionary funding' packages and had moved onto IF in the earliest stages of the pilot, through to people who were in the initial stages of moving on to IF from traditional support services.

4.4 FINANCIAL ANALYSIS

The analysis aims to identify notable trends and patterns occurring during the roll out of IF since the expansion to new Host Providers. This analysis includes analysing the characteristics of users who have transitioned to IF from traditional services, comparing these users with eligible users (i.e. those only using HCSS services) who are yet to transition to IF, and observing the impact of IF on the level of services and cost utilised by comparing it with pre-IF activity for users who have transitioned.

5. FINANCIAL ANALYSIS AND MODELLING

5.1 APPROACH

This analysis aims to identify notable trends and patterns occurring during the roll out of IF since the expansion to new Host Providers. This analysis includes analysing the characteristics of users who have transitioned to IF from traditional services, comparing these users with eligible users (i.e. those only using HCSS services) who are yet to transition to IF, and observing the impact of IF on the level of services and cost utilised by comparing it with pre-IF activity for users who have transitioned. This analysis provides an enhanced understanding of factors influencing patterns of allocation and utilisation across IF recipients, and helps identify potential implications for rollout to other users and other service areas.

Data was received from the Ministry of Health relating to IF recipients and non-IF (or "traditional") recipients. This data and analysis focuses on the most recent two years - 30 June 2010 ("FY10") and 30 June 2011 ("FY11"). This 2 year timeframe is used due to data consistency across these 2 years and also the majority of clients take up IF during this period. The analysis focuses strongly on allocation data, with some analysis undertaken to compare allocation data with applicable utilisation data. Where necessary data was annualised to ensure comparability across years.

In order to drill into the factors influencing increases in levels of funding to the initial IF users, we focused on the following issues. A summary of findings is provided for each area below. Further information on each area of analysis is included in Appendix 1.

5.2 KEY FINDINGS

Activity to date: There were 934 unique users of IF in FY11, an increase from 421 in FY10. In FY11 14.0% of total Personal and Household care allocations were provided to IF recipient. The most common primary conditions of IF users in FY11 were Brain & Nervous system (38% of IF users) and Intellectual / Learning Developmental (30%).

Average size of support package: By comparing current allocations of IF recipients who have transitioned from traditional funding, with those who continue to receive traditional funding in Personal and Household care. The analysis shows

that IF recipients have larger average packages of support than non-IF recipients. The average annualised support package (based on allocation) for IF recipients in FY11 is $26,546. This is 108% higher than non-IF recipients of HCSS ($12,736). Therefore those receiving IF have larger packages of support on average than those receiving traditional support.

Representativeness of IF recipients: Comparing allocations of clients transitioning to IF with non IF recipients, i.e. Personal and Household care allocations for those who have not transitioned to IF. We found that the initial IF users have higher average allocations. We analysed pre-IF allocations for users transitioning to IF in FY11 and the average annualised allocations for FY10 was $21,624, 74.6% higher than Non-IF users of HCSS ($12,382) for the same period.

Impact on allocation when moving from non-IF to IF: We analysed those people that have moved from non-IF to IF over the 2 years of reliable data and compared their allocation under IF with the allocation they had on traditional support. We found that allocations for those moving onto IF increased. The analysis shows that annualised FY10 allocations of $21,624 increased to $24,840 under the IF scheme in FY11 for applicable users, a 14.9% increase in average allocation.

Impact on utilisation and overall budget control: The analysis shows that the average annualised FY11 utilisation was $30,042 for selected users. This represents an underspend of $4,847 or 13.9% against average allocation of $34,889. Alternatively this represents an 86.1% utilisation of allocation. This underutilisation is in line with current targets for traditional support in this area.

Change in allocations overtime: The analysis shows that annualised IF allocations for the 413 users who were using IF in both FY10 and FY11 increased on average from $27,445 in FY10 to $34,456 in FY11 - a 25.5% increase.

5.3 IMPLICATIONS

This analysis indicates that allocations for people who move from non-IF to IF are increasing by 14.9%. It also shows that allocation for those who remain on IF are increasing by 25.5% from yr 1 on IF to year 2 on IF. Utilisation appears to be stable across years at approximately 13.9% less than allocations or 86.1% of allocated budget. These trends are of concern and are indicating that those moving onto IF are on average receiving larger support packages than they received previously. These trends should be monitored closely by the MoH.

That said when asked about these trends interviewees were not surprised. They outlined that the roll out of IF was causing people to seek reassessments and to present strong cases to NASCs. This behaviour often results in clients having a comprehensive review and updated needs assessment. These updates are often ahead of the scheduled reviews and are identifying unmet needs and hence are causing appropriate increases in allocation. They also felt that the initial cohort of people accessing IF are on average well informed, understand the system and can articulate their needs clearly. These factors are all believed to be causing some or all of the increases seen in allocations and that it is not solely IF that is driving these changes but complex human behaviours and the dynamics of the initial phases of the roll out of a new and innovative programme.

Other findings include, on average the initial cohort of IF recipients have larger packages of support than HCSS users who continue to use traditional support. The primary driver behind this is the fact that the initial group of IF recipients was restricted by the eligibility criteria to higher cost packages compared to other users of personal and household care.

Other factors contributing to the higher allocations for IF users are the increase in allocation on transition to IF as well as subsequent allocations for existing IF users. Increases in subsequent allocations for traditional users are comparatively lower.

A comparison with applicable utilisation data shows these allocations are underutilised, but this is in line with existing expectations for traditional support.

The initial IF recipients, on average have larger support packages than non-IF recipients. If the rollout of IF continued across the population of non-IF users, we would expect the average allocation (and size of support package) to decrease as the non-IF population have lower average packages compared to the early adopters of IF.

6. QUALITATIVE FINDINGS

6.1 INDIVIDUALISATION OR PERSONALISATION VIA INDIVIDUALISED FUNDING IS THE FUTURE

IF as a mechanism for receiving disabilities support is not new for some people. Some of the clients interviewed have been receiving individualised funding based packages of support for over 10 years through bespoke individualised organised arrangements often labelled discretionary funding packages or since 2003 via the pilot IF scheme supported by Manawanui In Charge. Hence some have extensive experience of IF arrangements and the associated opportunities and challenges. These interviewees in particular are relieved that the MoH is continuing with IF and are supportive of IF being available to greater numbers of people.

"IF has been a breath of fresh air and is supporting people to get on with their lives"

Source: Host Provider

It was clear across all interviewees that there is strong support for IF as a mechanism for enabling citizens of New Zealand to have choice and control over the support they receive from the state. A number of people stated that "individualisation [or personalisation] via IF represents the future for disability support and is the direction we [the system] should be travelling". This view was shared across the range of different stakeholders interviewed, including NASC's, Host Providers clients and carers.

Whilst supportive of the continued usage and roll out of IF, clients and carers and some coaches from Host Providers interviewed indicated that some IF development areas are causing concern, which they feel could impact on the future success of IF. These concerns could be grouped under the heading risk aversion or risk management.

To explain, these interviewees felt that the Ministry of Health is being overly concerned with trying to manage a range of perceived financial risks which have little evidence as being problematic. These risks relate to:

- People using funding on supports that may be seen as inappropriate
- People building up large financial reserves within their packages of support

In its attempts to manage these perceived risks interviewees feel that the MoH is adding additional processes and layers of bureaucracy that they felt were not

needed. Whether the MoH is in fact adding processes and bureaucracy to the system or not, the perception from clients, carers and some coaches is that this is happening and it is a concern.

In addition, these interviewees feel that even if these risks are real, the scale and impact of them is minimal. One client said that these risks more than likely are real but only relate to 1% of IF recipients. They argued that even if these risks are real, systems and processes shouldn't be built that penalise the 99% of people. One interviewee stated that "instead, the systems should be focussing on supporting the 99% to continue to do the right things and to make good decisions."

Interviewees also felt that dealing with these sorts of risks was important but that the thinking related to solving them is more representative of 'old' disability thinking and not 'new' IF thinking.

Overall, IF is seen as the future for disability services but it must be kept simple, usable and person centred.

6.2 INDIVIDUALISED FUNDING IS NOT A SERVICE BUT A MECHANISM THAT SUPPORTS AN INDIVIDUALISED RESPONSE

Currently, IF funding can be used to support personal care and home management needs. It is not available for support in areas such as respite, residential care and carers support. This evaluation was asked to explore the feasibility and desire of expanding IF to include a wider range of service areas. Any expansion would therefore enable people to meet a wider range of needs.

There is clear support across interviewees that IF should be expanded to include Out of Family Respite Services, Carer Support and Supported Living. There is some support to include Residential Care, Behavioural Support and Equipment but less support than for other areas.

Whilst this appears to indicate a desire to include additional service areas within the scope of IF, the discussions on this topic raised another issue. A number of interviewees, mainly clients and coaches from Host Providers, feel that within the context of IF, service areas are somewhat meaningless. They described how a truly individualised approach to meeting the needs of an individual should not be limited to certain service silos that make little sense to disabled people. Whether an individual chooses to utilise the mechanism of IF to individualise (or personalise)

their support has nothing to do with which services are included or not. Hence why discuss which services are inside of outside of the scope of IF? Service areas are labels given to silos of funding and bear little relationship to actual needs and/or how individuals want to meet these needs.

Therefore some interviewees feel quite strongly that ALL funding sources (or services) should be available to individuals as part of an individualised package of support with the mechanism of IF being the operational framework which enables this to happen. Under IF, the language should move away from service areas to a support system that utilises a range of funding sources to meet the needs of people at an individualised level – in essence IF is a support mechanism not a service that operates in the context of an individualised system. Feedback from interviewees went further to say that funding assumes money and we need to explore unlocking the totality of resources available to individuals (not just funding) including, paid (i.e. state funding) and unpaid (i.e. friends and family). It was the view of one client that, appreciating and having choice and control over the totality of the resources available to an individual opens up real possibilities to do things differently, to innovate and the plan towards achieving longer term outcomes.

This thinking has implications for the development of an IF framework, recommended in this evaluation, as any framework would need to reflect the overarching theme of individualisation (or personalisation) as well as support a more flexible funding and planning environment, which draws on financial (state funding) and non financial (family, friends) resources . This also has implications for financial monitoring as people could meet their needs by a range of solutions that do not easily fit current service area silos.

6.3 DEDICATED INDIVIDUALISED FUNDING FRAMEWORK

Currently the Individualised Funding service specification (framework) refers only to purchasing Home and Community Support Services (HCSS) under the scheme. In discussion, people understood the historic rationale for developing the IF service specification in this way, and felt that it was a pragmatic solution at the time to enable the rollout and further expansion of IF. However Host Providers in particular feel strongly that it is now time for IF to have its own guiding framework and for IF to be completely independent of HCSS and the HCSS service specification.

It's also important to note that in line with the finding above that IF is system not a service, interviewees felt that "framework" was more appropriate language than service specification.

The main reason for IF requiring its own framework is that interviewees thought that having IF linked to the HCCS service specification constrains what can be done with an IF package. In slight contrast to this view some interviewees argued that the HCSS service specification itself does not constrain what can be done, it is the interpretation that people put on some elements of the HCSS specification that is the constraint. For example the terms core and flexi hours, make limited sense within IF. To some extent under IF everything is flexible, however some people's interpretation of these terms was constraining what people could do with their IF package.

Whether having the IF service specification linked the HCSS specification is constraining or not there was clear feedback from interviewees that having IF linked to the HCSS service specification stifles innovation, creative thinking and ultimately the potential of many IF packages to deliver real outcomes for people. Therefore, to ensure the future success of IF it is critical that IF is decoupled from HCSS and an independent IF framework developed that is fit for purpose.

The structure below was offered by an interviewee from a Host Provider as one approach to linking a framework to a range of service specifications.

Possible structure for IF framework and service specifications

Individualised Funding Framework

Framework Layer

- Principles based
- Outcomes focussed
- Financial and non financial
- Cross government

HCSS Specification

Specification A

Specification B

Specification C

Services Layer

- Services
- Hours, pricing
- Contract ready
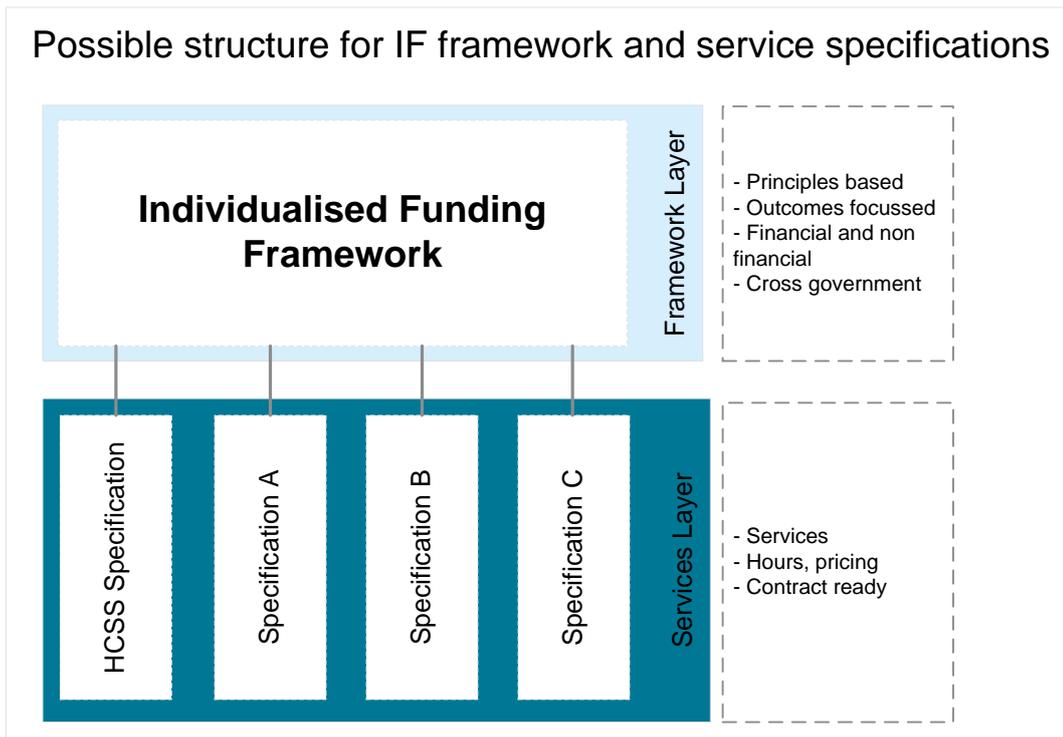
The development of an IF framework links closely to the finding above that IF should be seen as a support system that draws together a wide range of resources, financial and non-financial. Interviewees, particularly Host Providers only had one reservation with developing an IF framework and it was to make sure that any development did not unsettle current IF structures and that any changes be incremental and managed in a step by step way.

6.4 UPDATING THE HCSS SERVICE SPECIFICATION

In discussion, some Host Providers who hold an HCSS contract were concerned with the suggestion that in order to improve IF, a new framework needed to be developed. Most agreed with the requirement for IF to have its own framework but the more immediate issues was to update and refresh the current HCSS service specification to better align with the principles of IF.

"... if the HCSS service specification is updated then we could offer different services at different prices and offer innovative options ..."

Source: Host Provider

Essentially, Host Providers said that the current HCSS service specification does not enable them to be as flexible as they would like to be in order to fully embrace IF. It locks them into hourly rates, types of services and delivery mechanisms that don't suit the flexibility desired by clients / carers under an Individualised Funding arrangement.

If the HCSS service specification was updated to include elements that supported IF thinking, i.e. the flexibility to provide different services and negotiate different prices, one interviewee felt that there would be no need for them to be a Host Provider and instead they could focus on providing innovative, high quality services to IF recipients. They could focus on service provision to IF recipients without the additional requirements of being a Host Provider.

6.5 CONCERNS OVER THE NUMBER AND INDEPENDENCE OF HOST PROVIDERS

The expansion of IF Host Providers in 2010 increased the numbers from 1 to 12. This, combined with greater awareness and changes in eligibility led to a rapid increase in the number of people accessing IF. From this perspective the expansion has been successful.

That said there are concerns over the Host Provider model. In particular some NASCs and one Host Provider stated that they believe there is a conflict of interest with Host Providers being service providers as well as IF hosts. There is a strong view from these interviewees that Hosts should be independent of service provision.

There is also a view amongst some Host Providers that the current number of Host Providers is too high and that it would be better to have a smaller number. One interviewee stated they thought "5 national providers would be a good number", however there was no rationale or analysis provided to support this number.

There are a number of reasons why people feel the number of Host Providers is too high. One reason given by Host Providers was the reality that they are losing money by providing IF, i.e. the costs of being a Host Provider are greater than the income it is generating. Another reason is that some Host Providers are yet to reach a number of clients that they feel they need to be financial sustainable. In addition some Host Providers clearly feel that the IF funding model compounds these first 2 issues by making supporting larger packages more financially attractive than smaller ones. So if a Host Provider does not have the appropriate mix of large and small packages they will struggle financially.

These issues are culminating in some Host Providers, whilst clearly wanting to be involved in IF, also worried that they are losing money. One interviewee stated that, "for IF to be successful it must be financially sustainable for Host Providers".

To this end we explored the areas that drive costs for Host Providers. They highlighted that the main costs relate to coaching. Clients also indicated that help with set-up, planning and brokerage of their IF package was the most important activity that Host Providers offer. There is concern that certain Host Providers, in order to manage costs, are setting limits on the time coaches spend with clients. On one hand this makes sense, it is important to run an efficient organisation, however there is concern that the activity most important to client is the first area to be trimmed. Host providers did indicate that issues with the funding model

(explored in section 6.6) are driving some of this behaviour and therefore needs to be reviewed.

One solution offered was for the MoH to fund a base set of hours of coaching to an IF recipient via the Host Provider. Once these hours are exhausted either the Host Provider or IF recipient could fund additional coaching hours. Whatever the solutions are these should be explored alongside any adjustments to the funding model and ensure that the right support is provided to IF recipients. Interviewees also stressed that any solution should ensure that a range of providers is maintained as this range offers real choice to clients.

An alternative view to this issue is to leave the system as is and support the market to sort it out. Essentially if some Host Providers are not financially sustainable then overtime they will remove themselves from the market and the sustainable organisations will survive. In order to be sustainable Host providers will need to adjust to the requirements of IF and to what clients require.

Overall, we feel that the expansion of Host Providers has been successful. It has increased the number of people on IF and the range of Host Providers IF recipients have to choose from. This evaluation makes a number of recommendations and if these are put into priority order we believe that changing the number and/or type of Host Providers should only be looked at after a number of changes are made, particular in relation to the IF framework and funding model.

6.6 REGIONALISING/NATIONALISING SOME HOST PROVIDER FUNCTIONS

As discussed above, Host Providers offer a range of services to IF recipients. Interviewees felt that some of these services, such as payroll, are less central to the care and support of clients and are more related to the administration and management of an IF funding arrangement. In addition some interviewees raised concerns that Host Providers are developing their own set of services or creating links with external organisations such as payroll providers. Interviewees felt that this represented considerable duplication and costs across providers which is ultimately passed onto IF recipients. It was suggested that it would make sense to explore whether certain services could be nationalised or at least regionalised.

The services that were raised as being in scope include:
- Human Resource support / advice
- Payroll management

In addition any nationalisation or regionalisation has the possibility of simplifying the Host Provider funding model, as there are fewer elements to consider. It could also lead to increasing the focus of Host Providers on their critical coaching and support role, rather than a range of administration elements.

Any discussion regarding centralisation or forced consolidation of services shouldn't be taken lightly. At one end of the spectrum the MoH could take a more open market model and let Host Providers explore options and innovate to find the best solutions for themselves and clients. At the other end of the spectrum the MoH could take control of a range of the elements and centrally contract provision and mandate their use.

It is the view of the evaluators that components of the open market model would be advantageous within an IF context – however we don't believe that the current policy and service specification infrastructure around IF is strong enough to support this thinking and could lead the IF recipients being disadvantaged. For IF to operate within an open market model requires competition, a range of high quality providers, informed consumers, information and regulation. Not all of these elements are in place or at a level of appropriate sophistication across the IF system at present to make it work.

That said, we do think that offering consistent centralised advice and support, particularly in regards to HR, tax and legal issues would be advantageous. Host Providers would be able to access this resource as well.

In terms of other services, i.e. payroll and insurance, we feel the current models are reasonable and it would not be in the best interest of the MoH to change them at present. The more important issue is not whether to nationalise or regionalise services but to update the Host Provider funding model so that the financial anomalies for providing these services across different IF packages (large and small) are rectified – this could drive the changes desired but from another dimension than service centralisation.

Irrespective of whether any services are nationalised or regionalised, interviewees felt it is important to ensure that IF clients still have choice and are able to use other providers of these services if they wish.

6.7 EMERGING FINANCE ISSUES FOR IF CLIENTS

Interviewees and in particular those with finance oriented roles were greatly concerned with a set of financial risks that could have implications for IF recipients.

The majority of issues relate to the employment of support workers under IF arrangements and include:

- Redundancy payments
- Management of holiday pay
- Management of sick pay
- ACC payments
- Hiring / firing costs
- Costs of ongoing training and career progression

The risks associated with these relate to who is responsible for covering the financial risk under different situations. Host Providers are concerned they could hold the risk in these situations and therefore those that we talked to are exploring bespoke solutions to these issues.

Ministry of Health representatives are clear that it is the responsibility of Host Providers to ensure these issues are managed and hence Host Providers should have appropriate processes in place to manage any perceived risks. This said, we were concerned that individual Host Providers and clients are developing solutions to these issues in isolation. This could lead to a range of different solutions and possible discrepancies across Host Providers.

6.8 CONCERNS OVER NASC PROCESSES

Most interviewees accept that NASCs have a difficult job. There was recognition that NASCs are often the first point of contact for clients and carers and have to make decisions everyday that impact on the lives of disabled people and their families.

In terms of IF, NASCs play a very key role, not only with the core work they perform (i.e. assessments, service co-ordination) but also the communication of IF to clients / carers, the setting of expectations around how IF works and providing general advice on what the funding can and cannot be used for. If this initial information is not communicated well or is incorrect then it can often be difficult to change expectations further down the track.

Host Providers in particular raised concerns over a number of process issues that are evident across some (not all) NASCs. It is important to note that these concerns relate to process of system issues and were not directed at any specific individual/s.

These concerns include:
- Indications that some NASCs are making the decision to not offer IF to some clients. This meant that IF was not discussed with these clients and therefore the opportunity to make a decision about IF (or not) taken away. Interviewees were very concerned about this issue and felt that even in situations where the NASC believed that IF would not be suitable, that it should still be discussed as a potential option for the client. Taking this decision away from clients and carers goes against the ethos of choice, control and decision making vesting with clients and carers.
- A Host Provider interviewed spoke of anecdotal evidence that some NASCs are recommending one Host Provider over another to clients and carers. The main reasons given as to why NASCs would be doing this related to perceptions that some Host Providers have capacity issues and waiting lists and therefore going with provider X rather than Y would mean obtaining support faster. Once again interviewees, in particular Host Providers, were concerned because they felt it was not the role of NASCs to recommend one Host Provider over another, for whatever reason, but to share the information on Host Providers and support clients and carers to make an informed choice.
- There is a sense that there is duplication of work across NASCs and Host Providers. Interviewees described situations where NASC assessments were not shared with the Host Provider, causing the Host Provider to duplicate data collection and interpretation of information. Another example was given where NASCs produce 'goals or support plans' that Host Providers often feel are only somewhat useful. Host Providers described that the structures required when describing how IF will be used are

different to traditional approaches which the goal plans are more aligned towards.

Overall there was a general sense that NASC processes and approaches do not fully align with the way IF currently operates. There is a sense that there is duplication of activity across NASCs and Host Providers and that NASCs are not communicating IF consistently using establish processes and protocols.

6.9 SUPPORT WORKFORCE ISSUES

The IF scheme has a strong emphasis on individuals acting as employers and hiring their own support workers. The rationale is that acting as an employer empowers people and enables greater flexibility and control over the support they receive. However, some of the people interviewed expressed reservations about this model, feeling that it greatly increased risk to both clients and Host Providers. Employment does support flexibility, but the extra risks associated with this situation were felt to be unnecessary for most people who receive IF. The interviewees said that many clients could receive desired levels of flexibility and control without exposing them to the complications and risks of acting as an employer. A number of the international equivalents of IF de-emphasize the employment aspects, in favour of more flexible contracting models with support service providers.

Some of the IF Host Providers felt that they could deliver more flexible support services which would give individuals a greater degree of control, but they are constrained by the HCSS service specification. Given the opportunity, the interviewees felt that clients could contract with an HCSS service provider and receive a flexible support package. As the service provider would act as the employer, the client wouldn't be exposed to the risks associated with employing people. While coaches interviewed admitted theses arrangements wouldn't work for every individual receiving IF, they believed it could reduce the complexity and risk for many of the clients. Some of the clients interviewed however expressed strong reservations with this approach as one of the key benefits to them of the IF scheme was the opportunity to move away from service providers that they felt had failed them in the past.

A number of IF Host Providers were concerned about the workforce implications of a large number of disabled people shifting to Individualised Funding and employing their own support workers. IF clients have greater flexibility regarding pay, hours, and expectations than HCSS service providers, making it an attractive prospect for

support workers. Some of the Host Providers interviewed felt that they were already losing staff to IF clients and that a greater shift towards IF would cause them to 'bleed out' and lose their employees. The providers invest considerably in their employees both in initial and ongoing training and were concerned that the IF clients were 'poaching' their workforce after they had invested considerably in training and educating them. This raised concerns regarding the sustainability of their organisation. Some of the IF Host Providers were investigating options with 'locking in' their employers so that individuals who received training were contracted to work for a minimum period in the organisation (or have to pay back the training costs).

Alternatively, some Host Providers were concerned that IF would produce a second class workforce. While people working for an HCSS service provider are subject to certain standards and expectations and receive ongoing training to ensure they provide the best service possible, those support workers under IF receive none of the benefits of being part of a larger organisations. Interviewees were concerned that the IF workforce would be largely unregulated and the quality of care would adversely affected. Support workers hired by IF clients would also receive no additional training and wouldn't necessarily be aware of current best practice. Some of the interviewees suggested a separate funding scheme outside of the IF allocations to ensure IF support workers are adequately trained and supported.

6.10 HOST PROVIDER FUNDING MODEL CONCERNS

Host Providers are funded through a percentage fee charged to IF recipients for the services they provide. For example if an IF recipient package is $100 and the Host Provider fee is 5% then the IF recipient has $95 for support and the Host Provider 'top slices' $5 from the total package. The percentage fees are different depending on the range of services provided, such as payroll and insurance and are structured into 3 levels of service. The MoH sets the levels of service and there is guidance on how they should be applied.

The percentage fees for each level of service do not change based on the length of time a client is receiving IF, nor do they change based on the size of package or complexity of the needs of the individual.

Interviewees felt that one of the advantages of the current levels of service is that they are relatively easy to explain to clients and carers, and relatively easy to administer for the Host Providers and the MoH.
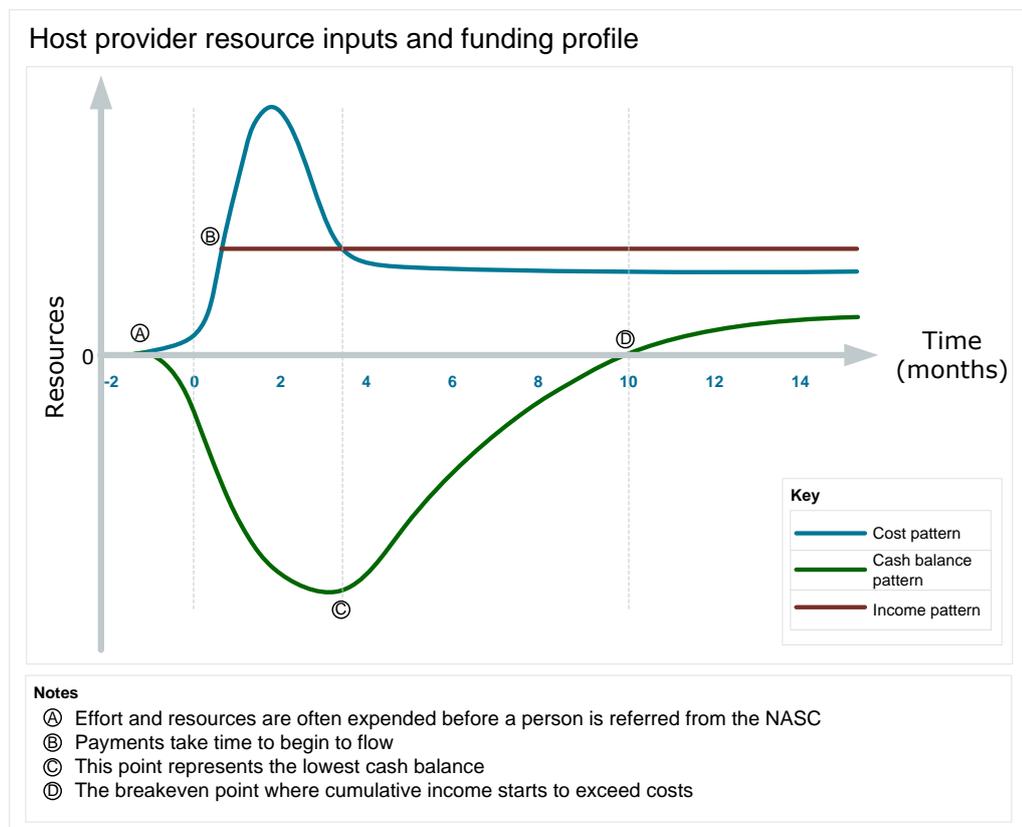
There is concern however across Host Providers that the funding model is not fit for purpose, for three reasons:

1. The levels of service and standard percentage rates do not adequately reflect the pattern of costs for supporting a IF recipient
2. The funding model does not incentivise Host Providers to provide the support that really makes a difference to IF recipients
3. Larger IF packages are subsidising smaller IF packages

To expand on point 1

One Host Provider stated that "80% of our costs are in first 6 -10 weeks with a client, but the percentage level of service fee is flat. So we lose lots of money in first 6 -10 weeks, which takes approximately 12 months to recoup. After we have broken even the margins are quite good."

The graph below illustrates this point (scales and the shape of the curves are indicative) and represents a 'typical' profile for an IF recipient.

Host provider resource inputs and funding profile

Notes

Ⓐ Effort and resources are often expended before a person is referred from the NASC
Ⓑ Payments take time to begin to flow
Ⓒ This point represents the lowest cash balance
Ⓓ The breakeven point where cumulative income starts to exceed costs

Costs are often incurred before an IF recipient is referred to, or accepted by a Host Provider. The blue line then indicates the level of cost/effort that a Host Provider incurs when working with a client. The majority of the costs are in the first 6-10 weeks, as this is where the majority of set-up, planning and coaching is undertaken. The green line indicates the cumulative cash balance for Host Providers and in this example shows breakeven occurring at 10 months. After 10 months the costs to the Host Provider are relative stable, and lower than the percentage fee earned, hence the cash balance steadily grows over time.

Some interviewees felt it was inappropriate to have a system where margins could be made on clients over large periods of time, resulting in 'profits' being made on these clients. Overall the feedback from interviewees pointed to the consistent view that in supporting an IF recipient there are 2 phases that are transitioned through: (1) start up and (2) maintenance. Interviewees suggested that a possibility could be to have slightly more subtle levels of services which enabled different payment structures for the different phases.

To expand on point 2
One Host Provider stated that "to be financially sustainable, it's in our best interests to provide payroll services to as many people as possible and have as little coaching input as we can."

It was very clear throughout the evaluation the critical value that the coach role plays and will continue to play in making IF a success. That said, the feedback from interviewees is that the funding model does not correlate to the importance of this role. The funding disproportionately favours the provision of 'add on' service elements such as payroll and insurance.

Clients and carers clearly indicated the importance of the coaching role – ultimately, all the other functions offered by Host Providers are ancillary to the success of IF. The coaching function is the interface with the IF clients, they are the problem solvers, the face of IF for clients and carers and act as brokers for their clients. Ensuring that the coaching role is resourced appropriately, via an appropriate funding model, is critical to the success of IF.

In addition, the coaching resource is expensive. Using this resource as effectively as possible is important. Coaches should be minimising the amount of administration type support they provide to people, i.e. payroll management, and maximising the time they spend helping IF recipients develop excellent support

plans that extract the most value and outcome from the funding available to them. This point links to the finding in section in 7.8 which describes the possibility of regionalising or nationalising some functions provided by Host Providers. By stripping away some of these ancillary functions more time would be available for coaches to provide adequate levels of inputs across a wide range of clients.

<u>To expand on point 3</u>
There was consistent feedback from interviewees that, due to the structure of the levels of service, larger support packages are subsidising smaller packages. A smaller package was described as being 4 hrs or less per week. This subsidising may reduce incentives for Host Providers to take on smaller packages at the detriment of those IF recipients. It is important to note however that no evidence of selection based on package size was found.

When asked, Host Providers said that the work required to setup and maintain a smaller package was in fact very similar to that of a larger one. If a package was twice the size, the effort required was not twice as much and in some case was similar or in fact sometimes less. The time spent on a client was more dependent on the needs of the IF recipient and their support networks (or lack of) than the monetary value of the package.

Given this point, interviewees were also concerned that IF recipients with larger packages were paying disproportionally for the input they received. For example if two clients receive payroll services from a Host Provider and each pay the set percentage fee based on the level of service, then the client with the large package is paying more for the service than the smaller package – irrespective of whether the payroll management is more or less complex.

Overall, whilst we believe the concerns regarding the funding model are real and important to resolve, part of the solution lies with Host Providers. They have the ability to adjust the service/s that they offer IF recipients. One Host Provider has quite explicitly structured its 'base' offering to be as financially sustainable with additional elements available to IF recipients, such as set up of payroll and annual performance reviews, offered on a fee for service basis. We are not saying that this resolves the issues with the funding model but that any solutions should include a range of perspectives including the funding model itself and Host Provider business models.

6.11 EMERGING FINANCE ISSUES FOR HOST PROVIDERS

In addition to the Host Provider funding model not being fit for purpose, some general financial issues raised some concerns among interviewees from IF Host Providers.

Some of the concerns centred on the timing of payments for support services. Currently payment to the IF Host Provider by the Ministry is made in arrears of payment to the client. In the current process a client submits an invoice to the Host Provider, which is then approved and payment is made from the provider to the client. The provider then invoices the Ministry for payment. In practice however, there can be considerable delays in Ministry payments to the provider. As the support services have already been delivered providers are required to pay the client regardless of delays by the MoH.

Interviewees mentioned that this can cause large cash flow issues for providers. For many of the providers they are utilising cash reserves from other contracts to substitute for the Ministry IF payments until funding arrives. However for organisations such as MIC which only provides IF, there are no alternative cash sources. In these cases large delays in payments can be crippling to the provider and may even lead to them defaulting on payments to clients.

Reassessments were also an issue for some of the interviewed Host Providers. Individuals who receive household management and personal care services have their needs reassessed every year by a NASC. In an ideal situation, the reassessment would be completed before the end of the current yearly allocation, allowing seamless rollover to the next year. Unfortunately, in the interviews, people mentioned that reassessments were often delayed, sometimes for months after the yearly allocation has finished. Rather than suddenly cut off funding for an individual, Host Providers maintained payments for services in good faith, even though they are not able to invoice the Ministry until a reassessment is completed and new allocation agreed. In most situations, following an assessment the payments from the Ministry were backdated to include this period. However, this creates substantial cash-flow issues where a provider is effectively making payments out of their own cash reserves and cannot invoice the MoH until the new yearly allocation is approved.

Interviewees also mentioned some examples where the Host Provider was unable to invoice the Ministry for this period and was forced to absorb the costs of the payments. For example; if following a reassessment an individual is no longer

receiving HCSS funding (e.g. they're no longer eligible/need funding) or if the individual dies or moves away before reassessment by the NASC, then the Host Provider has effectively been making payments without authorisation and the Ministry can refuse to pay for the period. Meaning that in some cases Host Providers have had to foot the bill for delays in NASC reassessments. These issues can have substantial financial impacts on the providers bottom lines, and the sustainability and viability of the IF scheme.

Another financial concern raised from Host Providers interviewed was the administration costs associated with the scheme. Under normal HCSS service contracts, the providers manage a single contract with the Ministry and provide services on an individual basis. Under IF, the providers have to manage contracts at an individual level. Many of the providers mentioned that their current systems were not designed to handle the large number of individual invoices associated with IF, and it had required substantial investment to establish systems and processes within their organisation. Once these processes are in place, the administration costs of managing a number of small invoices to the Ministry rather than a single large contract are considerably higher. Interviewees felt that this process was inefficient, and was leading to higher costs for IF Host Providers than was necessary.

Many of the Host Providers interviewed are already attempting to establish systems and processes to compensate for these financial concerns. However, this raises the issue of consistency across organisations. Without consideration of the issue and guidance from the Ministry, the reactive solutions developed by individual Host Providers will be inconsistent and may affect the services offered to clients, as well as the mechanisms of payment processing. To prevent inefficiencies and inappropriate processes, these financial concerns of Host Providers need to be considered by the Ministry of Health.

It is true that some variation is acceptable, as this leads to points of difference and competition in the market, however some of these issues relate to systems and processes that add no direct value to IF recipients. It would be advantageous to use the collective experience of the system to develop a set of standard solutions to these issues.

7. COMPARISON WITH 2008 IF EVALUATION

In 2008 the Ministry of Health undertook an evaluation of the Individualised Funding scheme. Since this evaluation, IF has undergone some considerable changes. In 2008 Manawanui in Charge was the sole national Host Provider for IF, now clients can chose from more than 10 IF Host Providers spread across New Zealand. The eligibility criteria have been opened up beyond high need/high cost packages. Together this has contributed to a substantial rise in the number of people receiving IF - from 130 clients in 2008, to over 1000 in September 2011, with numbers continuing to increase rapidly.

It is interesting to compare some of the results from the 2008 evaluation of the IF pilot to some of the findings from the 2011 evaluation of the expansion of IF.

Most importantly, in both 2008 and 2011, clients responded with an overwhelming satisfaction with IF, feeling more empowered and in greater control than they would have with normal support packages. This view was also shared among IF Host Providers and NASCs.

Flexibility remains one of the key strengths of IF in terms of how funds can be used. The expansion to more IF Host Providers has improved the flexibility of the choice of provider, which was a theme from the 2008 report. However the scope of the flexibility is still limited by restricting funding to household management and personal care. In the IF pilot evaluation, both NASCs and clients expressed the desire for the Ministry of Health to widen the scope of IF to encompass a greater number of areas of disability support. Shifting IF from outside the HCSS service specification remained one of the key outstanding issues from the 2008 evaluation of the expansion of IF.

Access and Eligibility to IF was an issue in the 2008 report. Eligibility criteria have since been broadened to potentially include all HCSS clients regardless of their need or support package. While the number of clients on the scheme has been increasing, there are still issues raised in 2008 that exist today. Due to the services covered by IF, clients who are ineligible for HCSS funding cannot receive IF to manage their disability support services. There are also still some concerns regarding the levels of knowledge and awareness among some NASCs and the general disabled population, reducing the number of people accessing the scheme.

Some of the major themes from the 2008 report focused on workforce and employment issues. There were concerns about the complexity and costs for IF clients acting as employers and directly managing support workers. Although some chose to use contracted caregivers instead, there were still issues regarding the risks to clients and Host Providers over employment dispute issues, financial risks for tax and levies not appropriately paid, as well as pay for notice periods and leave entitlements. To a large extent these issues remain – some of the individuals interviewed in the 2011 evaluation expressed serious concerns regarding the legal and financial risks associated with the current model.

Overall, there have been substantial changes to Individualised Funding since the release of the 2008 pilot evaluation report. Some of the recommendations made in 2008 have been, or are on the pathway to completion, particularly with greater choice of IF providers, and broader eligibility criteria leading to improvements in the consistency of access to IF across the country. However, there are still similar issues and concerns with the scheme which continue to be expressed by clients, NASCs and IF Host Providers.

APPENDIX 1: FINANCIAL ANALYSIS

This analysis aims to identify notable trends and patterns occurring during the roll out of IF since the expansion to new Host Providers. This analysis includes analysing the characteristics of users who have transitioned to IF from traditional services, comparing these users with eligible users (i.e. those only using HCSS services) who are yet to transition to IF, and observing the impact of IF on the level of services and cost utilised by comparing it with pre-IF activity for users who have transitioned. This analysis provides an enhanced understanding of factors influencing patterns of allocation and utilisation across IF recipients, and helps identify potential implications for rollout to other users and other service areas.

DATA

The dataset used for our analysis was provided by the Ministry of Health. Data was extracted internally by the Ministry in August 2011.

We were provided with data on allocations and utilisation for HCSS services, for both IF and non-IF users for the years ended 30 June 2008 ("FY08") to 30 June 2011 ("FY11"). A financial year (FY) runs from 1st July to 30th June. The focus of the analysis was predominantly with the FY10 and FY11 years, because the majority of the rollout in IF occurred across this period; and changes in characteristics of data prior to FY10 prevented comparability of data against earlier periods. This has made identification and in-depth analysis of IF users prior to FY10 difficult. However, using data from the two most recent periods ensures greater relevance to the current position.

For the purposes of comparability service allocation and utilisation data is presented on an annualised basis. This involved restating costs relating to a part year as if the service had been provided across the whole year. Allocation data was aligned to the 30 June financial year by assigning the applicable portion of each contract into the underlying financial years. This allowed us to better estimate the costs allocated on a yearly basis, and eliminated the impact of users joining IF for a part year – which would have understated costs and distorted the analysis. This is particularly relevant as a significant portion of IF transitions occurred part way through the financial year.

Utilisation data was employed in a limited capacity, due to issues aligning payments with actual provision of service from the data available. This was particularly an issue at the initiation of IF contracts, where there was often a lag or lump sum payment involved in initiating payment to providers.

It should also be noted that the traditional (Non-IF) data excludes Supported Independent Living (SIL) Personal and Household care (and other SIL services) being provided to Non-IF users.
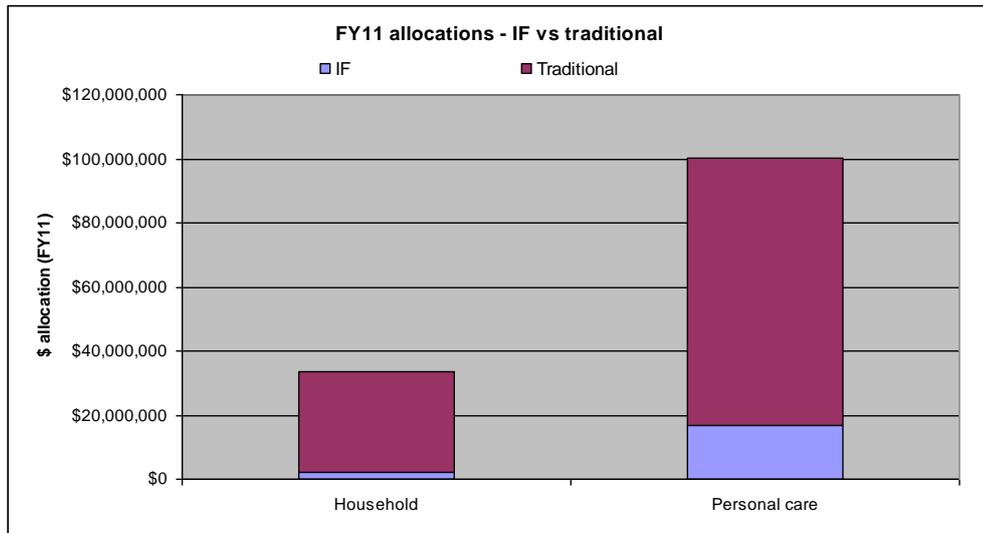
NUMBER OF IF ALLOCATIONS BY YEAR

There were 934 unique users of IF in FY11, an increase from 421 in FY10. The most common primary conditions of IF users in FY11 were Brain & Nervous system (38% of IF users) and Intellectual / Learning Developmental (30%).

Primary conditions of IF users FY11
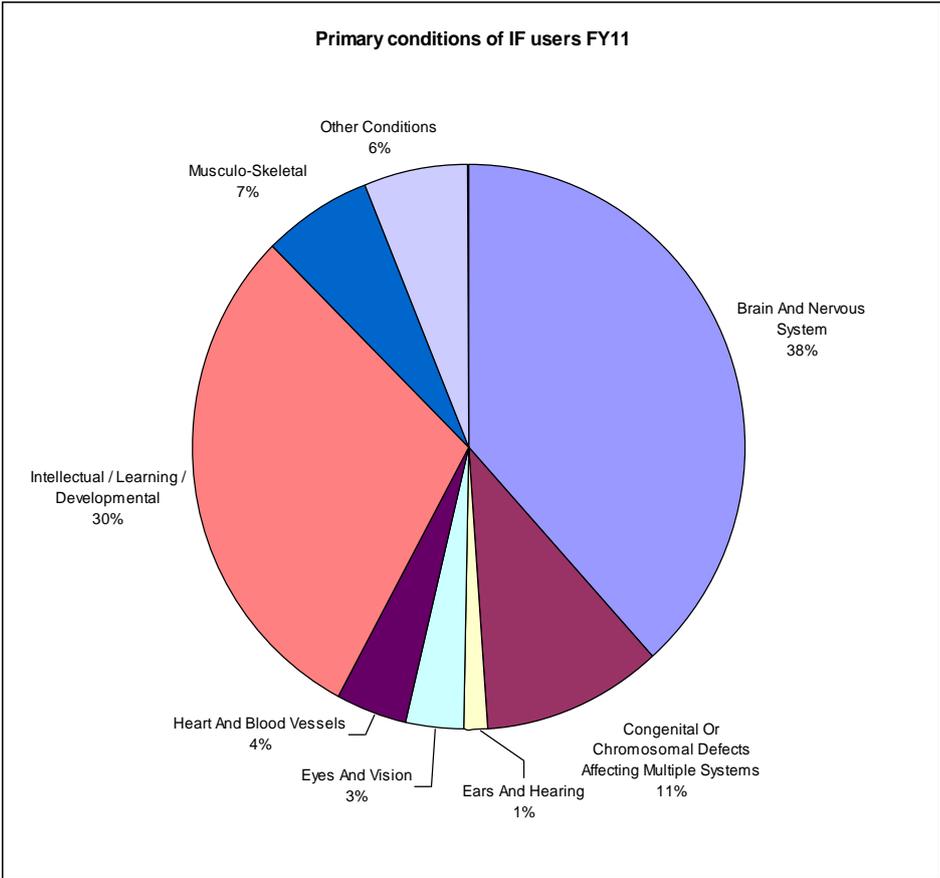
IF ROLLOUT VERSUS SERVICE WIDE SPENDING

The total spend on service domains for IF and traditionally funded service care for FY11 is shown in the graph below. Household is $2.3m, 6.9% of overall service provision. Personal care is $16.6m, or 16.6% of overall service allocations in this area.

This represents $19.0m out of total HCSS allocations of $133.8m, or 14.2% IF transition.

FY11 allocations - IF vs traditional

Legend: ■ IF   ■ Traditional

Y-axis: $ allocation (FY11), from $0 to $120,000,000 in $20,000,000 increments.

Categories: Household, Personal care.

AVERAGE ALLOCATION SIZE - IF VS OTHER USERS OF HCSS

The average annualised allocation for the 934 users of IF for FY11 was $26,546.

Average FY11 budget based on IF status
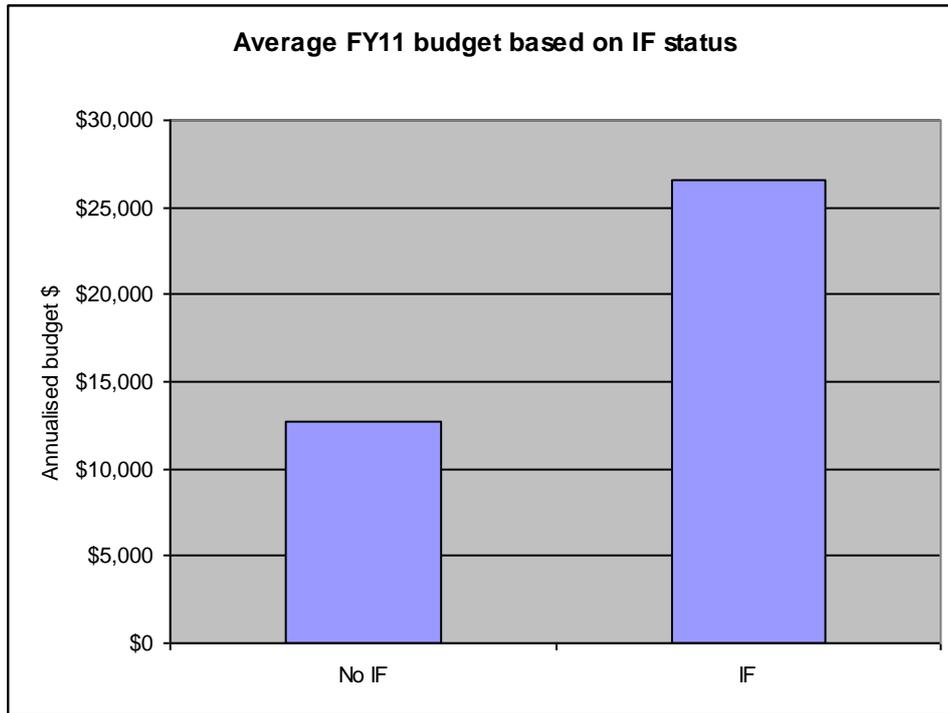
This is 108% higher than the average annualised allocation for the Non-IF users of HCSS which was $12,736.

Therefore based on FY11 data IF recipients have larger support packages than those using traditional HCSS support.

REPRESENTATIVENESS

The above analysis shows the recipients who have transitioned to IF to date had higher average allocations than those who are have not transitioned. We analysed costs for these IF recipients before they transitioned. This provides an indication of the relative levels of pre-IF allocations for those who transitioned against those who did not.
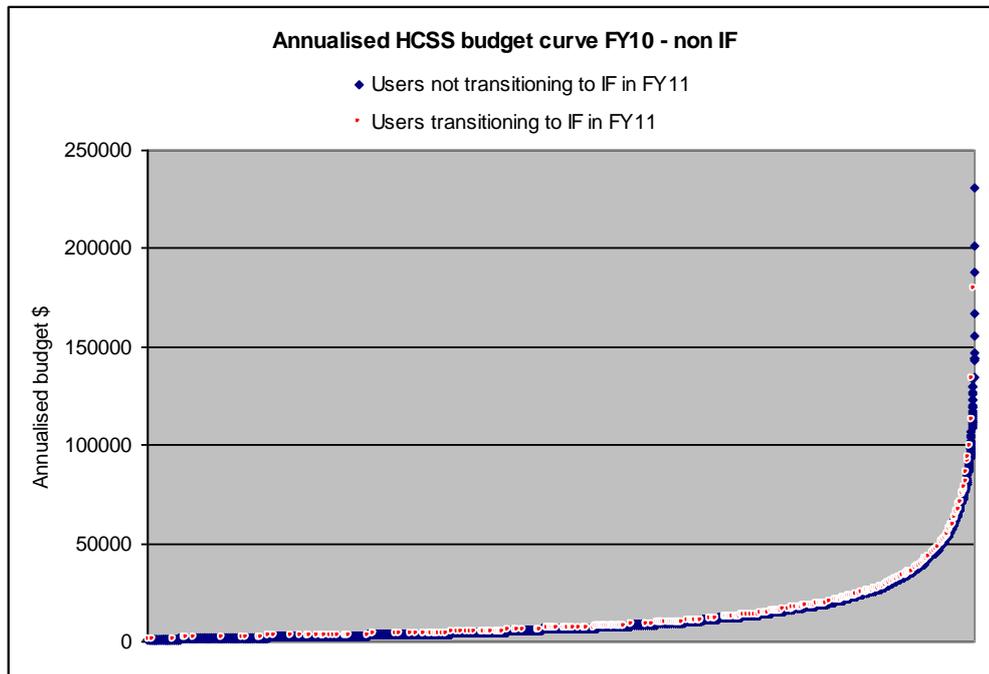
COST OF IF RECIPIENTS PRIOR TO TRANSITION

We analysed data on 408 users who transitioned to IF in 2011 who had been utilising traditional services in FY10. Their annualised pre-IF support package for HCSS support in 2010 was $21,624. The average annualised HCSS component of the allocation for all HCSS users in FY10 was $12,382; meaning the selected users

who had transitioned to IF had annualised HCSS allocations 74.6% higher than those who continued to use traditional HCSS services in FY11.

Average FY10 budget based on IF transition status
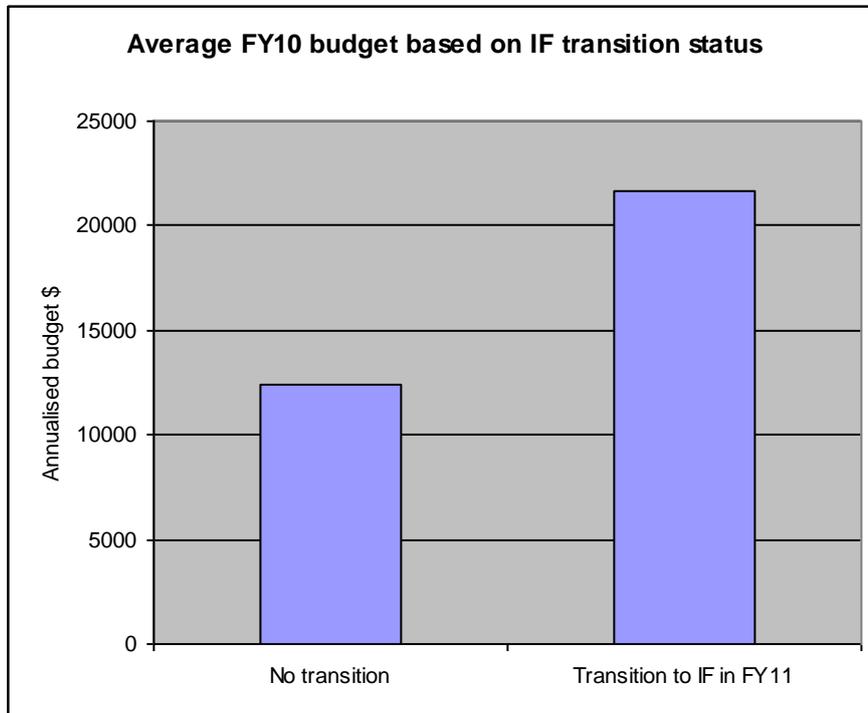
The graph below this section shows this "upwards bias" for these users, who are identified by the red dots, with the blue diamond's representing other HCSS users ranked from highest to lowest in annualised HCSS allocation for FY10.

Annualised HCSS budget curve FY10 - non IF

◆ Users not transitioning to IF in FY11

• Users transitioning to IF in FY11

This suggests that the initial group of IF recipients are concentrated towards the high end of allocations - reflecting greater personal and household care requirements (and therefore costs) than other HCSS users.

TRANSITIONAL IMPACT

This analysis focuses on the impact of IF on the level of allocation to users who were receiving traditional HCSS support in FY10. We observed 408 users who received traditional HCSS services in FY10 and transitioned to IF in FY11. We annualised the IF Allocation for the corresponding HCSS requirements.

The annualised FY10 cost incurred from pre IF service provision for these users was $21,624. This annualised cost for these users had risen to $24,840 under the IF scheme in 2011 – a 14.9% increase from the pre IF allocation in FY10. 211 of the users increased their allocation from Pre IF, with 197 having allocations reduced or held level.

This graph shows the impact of IF transition on allocation - a trend towards increases in higher cost packages based on the sample involved. A significant number of IF transitions resulted in substantially different annualised allocations which may warrant further analysis. The grey bars being displayed indicate 50% above and below the pre IF allocation level.

Comparison of annualised allocation - IF users in FY11 vs pre IF HCSS FY10 allocation
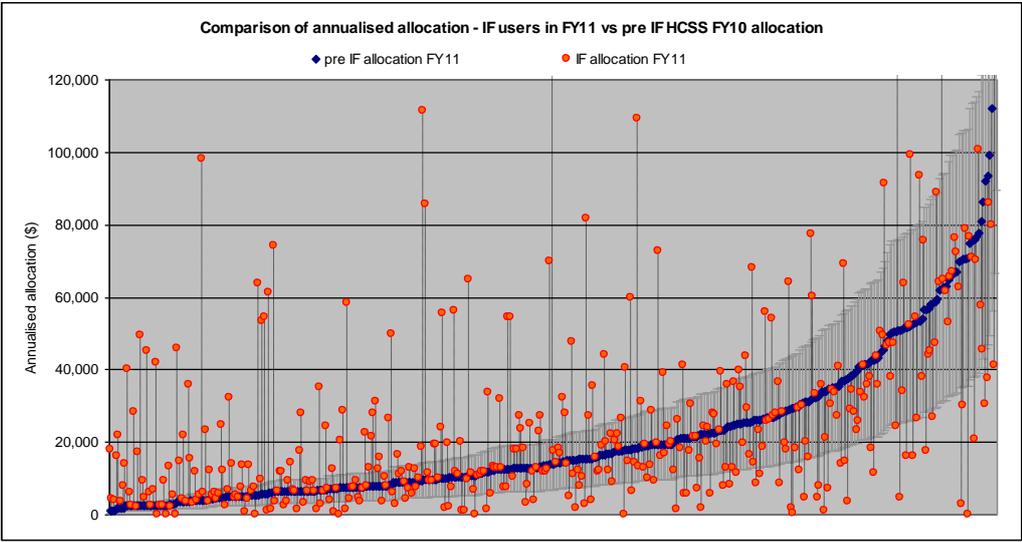
BUDGETARY CONTROL: UTILISATION VS ALLOCATION

Comparing utilisation to actual allocation enables us to assess the sustainability of the allocations produced under IF.

The analysis shows the estimated annualised FY11 utilisation for 366 users with sufficient clear IF utilisation data in FY11. The below graph shows the comparison of annualised allocation vs. annualised utilisation for these users.

The average allocation for these users in FY11 was $34,889. The average utilisation was $30,042. This represents an estimated annualised underspend of $4,847 or 13.9% or an 86.1% utilisation of the allocation.

Of these allocations, 122 were over-utilised (above allocation level) while 244 were under-utilised (at or below allocation). The grey bars displayed indicate 50% above and below the FY11 allocations.
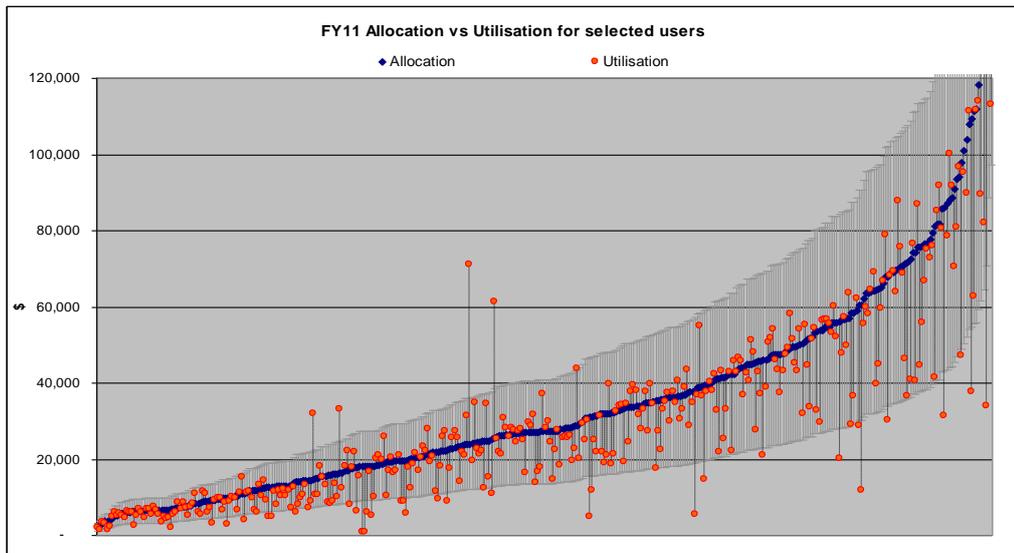

Based on this analysis it appears that allocation levels are being underutilised. However the level of underutilisation observed in this sample is close to the 15% target being applied to traditional support in this area, as advised by the Ministry of Health so is in line with current practice and budget management.

SUBSEQUENT CHANGE IN IF ALLOCATIONS

The average allocation for IF recipients did not change significantly, dropping slightly from $27,183 in FY10 to $26,546 in FY11.

When we reviewed the change in annualised IF allocations for the 413 users who were using IF in both FY10 and FY11 we found an average increase of IF allocation from $27,445 in FY10 to $34,456 in FY11 - a 25.5% increase. This is plotted on the graph below with the blue line representing the original FY10 allocation level for each user, sorted incrementally.

Change in annualised allocation for IF users in FY10 and FY11
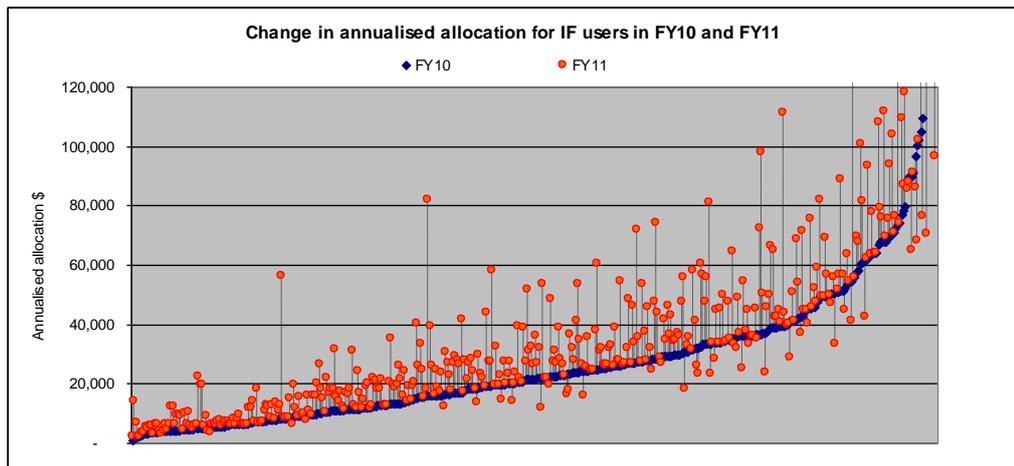
The chart shows the trend of increasing IF allocations from FY10 to FY11. 305 of the allocations increased in FY11, with 108 reducing or staying the same as FY10.

In contrast, non-IF allocations for HCSS services increased by 2.9% from $12,382 in FY10 to $12,736 in FY11. This suggests allocations are growing more quickly in IF when compared with comparable services in traditional care.

## FINDINGS AND ASSUMPTIONS TO BE CONSIDERED FOR FURTHER ROLLOUT

The graph below combines the impact of the different analyses performed above to summarise the initial findings for IF vs. non-IF users. This consolidates the findings from our analysis to predict the relative impact of factors driving the higher costs of supporting current IF users.

For simplicity, non-IF users have initial allocations indexed to $1,000. The four incremental sources of impacts we observed are presented below:

1. **Representativeness - early adoption bias**
    We noted that allocations for those who transitioned to IF in FY11 were 74.6% higher than for those who continued receiving traditional HCSS support. This indicates a higher level of need for IF users and for this exercise would result in the average pre IF allocation for these users

increasing to $1,746, compared to the base figure of $1,000 for users of traditional support.

Comparing Non IF to IF assumptions
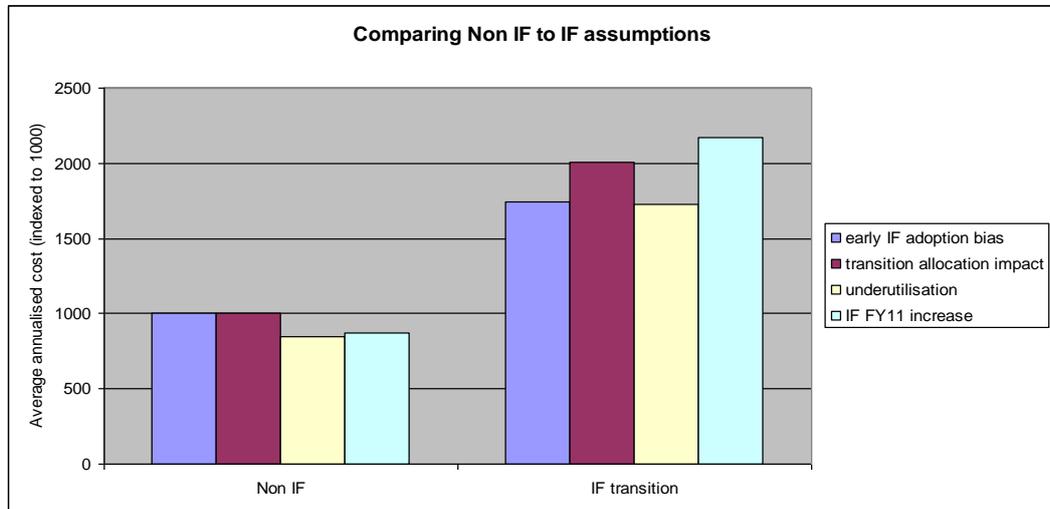
2. **Transition allocation impact**

   This represents the increase in IF allocation when compared to the pre IF allocation for the same user. This resulted in a 14.9% increase. This would result in the pre IF allocation of $1,746 rising to $2,006 for this exercise. Users remaining under traditional arrangements would be assumed to stay at the same level as this impact only applies to those changing to IF.

3. **Budgetary control - underutilisation of IF budget**

   The limited users (and data) observed showed a 13.9% underutilisation of allocation – this would result in estimated utilisation of $1,727 for this exercise. The comparative figure has been based on targeted underutilisation for traditional support (15%) which reduces non IF utilisation from $1,000 to $850.

4. **Increase in subsequent year**

   A comparison of IF allocations between FY10 and FY11 showed an average increase of 25.5% for users who were receiving a subsequent IF allocation. Applying this increase to our example results in the IF users cost increasing to $2,168. A 2.9% increase was observed over the same period for Non-IF users resulting in the comparative cost increasing to $875.

This exercise projects the implications of the analysis for IF and non IF users. The larger packages of support for IF users are driven mainly by the higher need level of those early adopters of IF. However the increase is also driven to some extent

by the initial increase in allocations from the IF programme, and subsequent increases for existing IF users.

We would expect the difference between IF and non IF users to reduce over time as the average cost of users transitioning to IF reduces.

APPENDIX 2: INTERVIEW SCHEDULE

Date	Time	Person	Organisation	Region
27th June	1.00pm to 2.00pm	1 person	Lifewise Homecare Services	Auckland
30th June	10.00am to 12.00pm	1 person	MOH	National
30th June	1.00pm to 2.00pm	1 person	Manawanui in Charge	Auckland
30th June	16.30am to 18.00pm	1 person	Client	Auckland
6th July	12.00 to 1.00pm	1 person		N/A
8th July	9.00 to 10.30am	3 people	Healthcare NZ	National
11th July	10.00am to 11.00am	1 person	Manawanui in Charge	Wellington and Dunedin
11th July	1.00pm to 2.00pm	1 person	Lifewise Homecare Services	Auckland
12th July	10.30am to 12.30pm	3 people	Capital Support	Wellington
12th July	1.00pm to 2.30pm	1 person	Manawanui in Charge - Client	Wellington
12th July	4.00pm to 5.00pm	1 person	Healthcare NZ	National
13th July	9.30 to 10.30am	1 person	Manawanui in Charge - Client	Wellington
14th July	11.30 to 12.30	1 person	Manawanui in Charge	Auckland
14th July	1.30 to 2.30	1 person	Manawanui in Charge	Auckland
15th July	9.00am to 10.00am	1 person	Wairarapa DHB	Wairarapa
15th July	11.00am to 2.00pm	2 people	Manawanui in Charge	Auckland
15th July	2.30 to 3.30pm	1 person	Manawanui in Charge	Auckland

Date	Time	Person	Organisation	Region
15th July	9.30-11.00	1 person	MOH	Auckland
18th July	10.00am to 11.00am	1 person	Access	Wellington
18th July	12.00am to 13.30am	3 people	Vision West	Auckland
19th July	3.30pm to 4.30pm	1 person	VisionWest - Client	Auckland
20th July	9.15 to 10.00am	1 person	MOH	Wellington
20th July	10.00 to 11.00am	1 person	Manawanui in Charge	Hamilton
21st July	11.00 to 12.30pm	2 people	Accessability	Dunedin
21st July	1.00 to 4.00pm	2 people	Dunedin Home Support	Dunedin
22nd July	9.00am to 11.00am	2 people	Life Unlimited	Hamilton
22nd July	1.00 to 4.00pm	4 people	Disability Support Link	Hamilton
26th July	2.00pm to 4.00pm	2 people	Taikura Trust	Auckland
2nd August	10.00 – 11.00	1 person	Healthcare NZ	Auckland
2nd August	12.00pm – 1.00pm	1 person	Manawanui in Charge	Wellington
3rd August	9.30 to 10.30	1 person	Manawanui in Charge	Auckland
4th August	10.00am to 11.00am	1 person	Coactive	Auckland

Interview count = 46 individuals

APPENDIX 3: ORIGINAL EVALUATION QUESTIONS

1. How the increase in the number of Host Providers has impacted on the uptake and utilisation of IF.

2. Identified barriers and supports to improved access to IF in the areas selected for the evaluation.

3. The experiences of new IF Host Providers in establishing and implementing their systems and processes to manage and support Individualised Funding.

4. The extent to which these arrangements meet the Ministry of Health's requirements for IF Hosts and the service specifications.

5. The impact on Manawanui InCharge of the scheme's expansion to other providers.

6. Consumer feedback on their satisfaction with and experiences of accessing the scheme and as recipients of IF provider services, including their suggestions for improvements.

7. Consumer feedback on their experience of managing their supports as an employer, or using a Host Provider for employer functions, including their suggestions for improvements.

8. The reasons for consumers choosing not to access the IF scheme.

9. The efficacy of payment processes based on claiming for actual utilisation compared to allocation methods.

10. Manawanui InCharge client feedback on their experience of the change from hours/week to hours/year.

11. The impact on the NASC agency systems and their experiences of referring to and working with the Hosts, including their suggestions for improvements.

12. A comparative analysis of consumer responses in the 2008 review with responses in this evaluation.

13. Opportunities for improvement and unintended outcomes.