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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Memorandum: Care and Support Workers (Pay Equity) Settlement Agreement Implementation briefing notes

To: Hon Dr Jonathan Coleman, Minister of Health

Purpose

This memo provides you an overview of how implementation will work, and further information on how the Pay Equity settlement will support better outcomes for value. The attached A3 illustrates how the will flow from the Ministry to funders, to providers, to employees.

Implementation

1. Information relating to the settlement will be issued to funders and providers immediately post announcement.
2. Crown Funding Arrangements will be calculated and amended between Crown and Funders after Cabinet approval on 18 April 2017.
3. Funders (non ACC) have begun working with the Ministry of Health implementation team on building the pay equity implementation and contract negotiation parameters for the providers delivering services in the three main in-scope areas:
 - a. aged residential care (via the national contract: DHB Funder)
 - b. over 65 years home and community support services and community residential living services (individual contracts: DHB Funder)
 - c. disability home and community support services and community residential living services (individual contracts: Ministry of Health Funder)
4. Contracts will be varied between Funders and Providers based on legislation.
5. Implementation planning for 17/18 is centred on ensuring employers can be funded to meet the increased cost from 1 July 2017.
6. DHB Funder and Providers will work with the Ministry of Health implementation team to test implementation mechanisms to enable the underlying payment to occur.
7. The preferred 17/18 option for aged residential care is a national contract price negotiated between DHBs and providers by 19 June 2017.
8. For the remaining services, given the complexity of eligibility and pay rate translation for providers with multiple service contracts with a mixed workforce (in and out of scope), the Ministry of Health will calculate an interim payment. For 17/18 providers will be paid monthly via the interim payment process to ensure that providers have the funds to cover the costs of pay increases. A wash up process will be carried out six monthly to ensure the actual additional costs are covered.
9. Reporting on qualifications, turnover and pay rates will be required as part of contract reporting and payment processes. Employees are expected to receive their increase wages in the first pay run from their employer after 1 July 2017 (i.e. weekly or fortnightly, depending on their normal pay

Contacts:	Keriana Brooking, Acting Director Service Commissioning	[39]
	Grant Pollard, Implementation Lead, GM Operational Excellence	

run). Providers will advise funders that they have commenced making payments to employees. Unions will also play a role in ensuring that employees have received the new wages.

Pay Equity Supporting better outcomes for value

10. Good health begins at home and in communities, so it makes sense to support people's health through services located close to these places where possible.
11. The health system plays an important role in providing people with the information they need to fully understand issues to do with health and wellness, including how to be healthy, access health services and manage their own health care.
12. The aim is that people are safe, well and healthy in their own homes and this is achieved predominantly via pro-active services through primary care (general practice and/or pharmacy).
13. Home and Community Support services provide a vital service for people who need additional support to remain safe, well and healthy in their own homes.
14. Further the aim is that people access aged residential care only when they are unable to safely stay in their own home.
15. The number of residents (75 years +) in the first level of care (rest home category) has been decreasing over at least the last nine years (-15%).
16. The number in higher levels of care (hospital and dementia) has been increasing.
17. The total numbers have been increasing (8% over nine years), but at a slower rate than the older population (22% over nine years). Please see Table One in Appendix One
18. DHBs along with providers, the Ministry and consumers are beginning a process of reviewing (a) the model of care for home support, (b) the funding model for residential care and (c) consumer choice. The higher cost of care workers along with the expected better qualified care workforce will be taken into account in these reviews. The reviews are at scoping stage and include:
 - a. organising services in a more cost effective manner;
 - b. whether DHBs are applying the boundary between home support, residential care and other health services in the most effective way with better qualified care workforce working at the top of their scope of practice;
 - c. whether home and community support services and community residential living be more effective, better value and cost control if there was widespread use of individualised funding as is available for younger disabled clients; and
 - d. consider the impact of any change on the cost of the whole health system include primary care, pharmacy, ambulance services and acute hospital care.
19. In August 2017, there will be a Cabinet report back on home and community support services model of care review work.

Appendix One:

Table One:

Percent of people aged 75+ who are in aged residential care

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Dementia	1,966	2,059	2,154	2,272	2,412	2,555	2,680	2,828	2,985	3,181	3,370
Hospital	7,645	8,055	8,448	8,852	9,299	9,616	9,795	10,149	10,416	10,622	10,913
Psychogeriatric	496	494	500	527	555	558	563	579	565	592	600
Resthome	16,250	15,269	14,905	14,983	14,726	14,407	13,775	13,798	13,590	13,505	13,402
Total	26,357	25,877	26,007	26,634	26,992	27,136	26,813	27,354	27,556	27,899	28,284
Population	237,985	242,189	246,009	249,853	253,957	258,378	263,411	270,113	279,585	290,309	301,567
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Percent	11.1%	10.7%	10.6%	10.7%	10.6%	10.5%	10.2%	10.1%	9.9%	9.6%	9.4%

Ultimately, increases to contracted prices will be used to enable the settlement. In the first year, interim “advance” monthly payments will be used.

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Sector	Crown to Funder	Normal contracting arrangements	Year 1	Year 2 onwards
Aged Residential Care	DHBs funded through Vote Health	National contract negotiated each year - rest homes paid price per resident	<u>1st preference</u> National contract price increase negotiated between DHBs and providers by 19 June	Contract renegotiated to account for increased costs
			<u>Fall back option</u> Interim advance payment - first year costs reimbursed by DHBs (funded by Ministry) directly to providers	
Home and Community Support Services	<u>Over 65 years</u> DHBs funded through Vote Health	20 DHBs individually contract with service providers	Interim advance payment - first year costs reimbursed by DHBs (funded by Ministry) directly to providers	Contract renegotiated to account for increased costs
	<u>Disability Support Services (DSS)</u> Ministry NDE funding for DSS	Ministry (DSS) contracts directly with service providers	Interim advance payment - first year costs reimbursed by DHBs (funded by Ministry) directly to providers	Contract renegotiated to account for increased costs
Community Residential Living	Ministry NDE funding for DSS	Ministry (DSS) contracts directly with service providers	Interim advance payment - first year costs reimbursed by DHBs (funded by Ministry) directly to providers	Contract renegotiated to account for increased costs

Money will flow from the Ministry to funders, to providers, to employees

Employees are expected to receive their increase wages in the first pay run from their employer after 1 July 2017. Providers will be required to pay new pay rates from 1 July. The Ministry will ensure providers have an interim advance payment to fund the increased wages, subject to providers supplying the required data by (12 May) so that the Ministry can calculate payments required.

