

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
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[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

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.



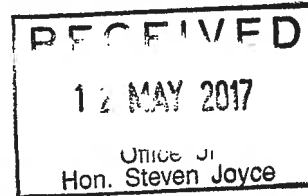
Office of Hon Dr Jonathan Coleman

OTHA-314-DK

Minister of Health
Minister for Sport and Recreation
Member of Parliament for Northcote

11 May 2017

Hon Steven Joyce
Minister of Finance
Parliament Buildings
Wellington



Dear Steven

Impact of the Care and Support Pay Equity Settlement on aged residential residents

Following Cabinet's recent agreement to the Care and Support Pay Equity settlement (the Settlement), I asked Ministry of Health officials to provide further advice on the cost impact of the Settlement on aged care residents.

The Government's current policy position is that aged residential care is means tested, with residents that can afford to pay for their care doing so, up to the point at which their assets drop below the threshold¹.

The Settlement increases the wages paid to the workforce and results in a higher annual cost for aged residential care. As outlined last month when we announced the Settlement, the annual negotiations between the funders and providers are underway to agree residential care prices. This will see the 11,070 residents currently paying the maximum contribution towards the cost of their care facing increases of around \$74 a week or 7.9 percent from 1 July 2017 (\$3,850 per annum) increasing to 10.9 percent or \$109 per week (\$5,641 per annum) in year five. This is in addition to a 1.7 percent assumed annual status quo price increase.

The impact for residents of paying a higher cost for their care is that their assets will reduce to the threshold level faster. Around 1,200 people cross the threshold each year, and the median length of stay in residential care is 18 months.

Given the fiscal impacts on residents, I asked officials during the costing of the Settlement to provide advice on options to remove or reduce the impact on residents with assets above the threshold. This would mean a shift in cost from the resident to either the Crown, DHB or provider and would require additional funding as these costs are outside of the Settlement agreed by Cabinet.

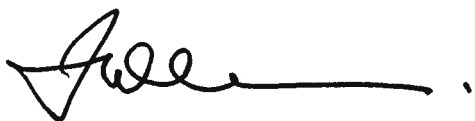
¹ If a resident has assets above the threshold (\$220,000 for singles, \$120,000 excluding house and car for couples where one is in care) he/she is required to pay for their care.

Following considering of the options, I am not recommending any change to our current policy. I consider that the principles of the means tested policy are sound and officials advise me that a price increase does not act as a barrier to care.

The Ministry will continue with its strategy to alleviate price increases beyond year one through encouraging the sector to realise net efficiency savings made possible by the expected benefits of the Settlement (being reducing turnover and employment of more skilled and efficient staff) and reflecting these in DHB contract negotiations with providers.

If you require any further information about the impact of the Settlement on aged residential residents, my office can provide that to you.

Yours sincerely



Hon Dr Jonathan Coleman
Minister of Health

NOTED / APPROVED / DECLINED

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MINISTER