Annex 1: Preliminary Forecast Pressures in Health and Disability services funded by the Ministry of Health in 2010/11

Service	Overview of service area	2009/10 Budget ($millions)	Price	Quantity	Funding required in 2010/11 & outyears	Consequences of no funding increase in 2010/11
Residential Services for people with Intellectual Disabilities	Residential services provided to people primarily aged under 65 with intellectual disabilities (excluding high and complex eg IDCC&R clients). The Ministry continues to fund these services after a person turns 65 until they are assessed as having an age-related disability. In residential services, the provider supplies accommodation and supports. DHBs fund similar residential services for clients over 65 with age-related disabilities and mental health conditions. Services purchased by DHBs have labour markets and some providers in common with Ministry DSS. Variances in prices paid by DHBs and the Ministry for similar services can affect the sustainability of services particularly in terms of workforce recruitment, retention and quality.	**358.000**	1% price adjustment to provider contracts in 2010/11 with additional funding *[information deleted in order to enable the Crown to negotiate without prejudice]*	Forecast demand of 1% pa of lower than in other services although there is a waitlist for these services totalling approximately $8m. People with intellectual disability living longer than previously is a factor explaining cost growth as need complexity increases with age. Analysis undertaken indicates that the proportion of high needs clients has increased by 54% between 2006 and 2009.	**8.160**	• Some providers will review/exit services including providing services for high cost clients • It may not be possible to find alternative placements for these clients leading to client or community safety issues •Industrial action if providers are unable to fund wage pressures • Increase in current waitlist for residential services potentially resulting in more costly home based support services being required to meet client needs and/ or reductions in standards for clients
Young Persons with Physical and Sensory Disability Residential and Hospital Services	Residential services provided to approximately 726 clients with physical disabilities in community residential, hospital or aged residential care facilities.	**39.000**	YPD services are primarily purchased from aged residential care facilities (rest homes and dementia units), with lower numbers of people in community residential and hospital-based services. On average DSS purchases these services at a lower price than DHBs although there is regional variation. Initial estimates show that: Resthomes - DHB rate higher by 0.95% Dementia - DHB rate higher by 2.25% Hospital - DHB rate higher by 2.12%	Forecast demand is 1% lower than in other services. However, increasing complexity of clients' needs as they age may account for some demographic change pressure on cost growth.	**1.268**	• Exacerbate price relativities between the Ministry and DHBs risking some providers exiting these services or refusing to accept Ministry funded clients
Respite Care	Respite Care is a residential based service for clients with disabilities who have high support needs and require 24 hour care and supervision. Respite care is provided to clients to provide a break to caregivers so that clients can remain in the community rather than residing for a long period of time in community residential care facilities at greater cost to the Government.	**18.300**	Price increase of 2.25%. Service has not received price increase for several years.	Forecast demand pressures of 2%.	**0.778**	• Some residential service providers have signalled they may exit services if prices are not increased • This will adversely affect the ability of some care givers supporting people with disabilities in their homes • Potential for greater downstream costs for the Government e.g. if additional HCSS or residential services are required
Home & Community Support Services	Services provided to disabled people with generally low to medium level needs to enable them to live independently in the community rather than in Community Residential Care. Services include Household Management (general upkeep around the home) and Personal Care services (eg showering). Household management is subject to income and asset testing, while Personal Care is not.	**106.500**	Price growth in HCSS was significant between 2005 and 2008 although prices were held constant in 2009/10. Many workers in this service area are on the minimum wage or just above it with only a small proportion of nurses (5%). Any change in the minimum wage will place pressure on service providers if additional funding is not provided. For example a 5% increase in the minimum wage is estimated to increase costs by $2.8m per annum. Additionally, any funding increases for similar services purchased by DHBs and ACC will affect DSS's ability to maintain service coverage as providers may switch to providing services to higher paying funders.	The Ministry expects to be able to hold volume increases to 6%. This compares with 14% growth in HCSS services in 2008/09 and more than 10% growth in the first three months of 2009/10. Volume increases are driven by drive of a focus on providing care in the community, ageing disability population, Personal Care increasing more rapidly than Household Management following the introduction of more flexible service specifications, and the creation of waiting lists for Resdiential Care services. Personal Care client numbers are forecast to increase from 5456 in 2008/09 to 6130 in 2010/11. The average funded package is expected to increase from 8.87 hours per week to 9.22 hours per week.	**7.455**	• No funding increase is likely to exacerbate already high staff turn-over in the sector • If the minimum wage is raised this will likely adversely affect the viability of some providers if they cannot make sufficient efficiency gains to manage the resulting increase in wages • If price increases are not funded then service quality may be impacted, service costs may increase (such as rural services), and there is an increased risk of some form of industrial action • If funding for volume pressures is not provided, NASCs and the Ministry will have to reassess low to medium need client service packages either reducing weekly hours of support provided or removing support entirely • If other funders of similar services (DHBs, ACC) increase prices, this may lead to providers delivering services to other clients in preference to Ministry funded clients
Carer support	Carer support is a subsidy funded by the Ministry of Health to assist the unpaid, full-time carer of a disabled person to take a break from caring for that person. Carer support service enables low and medium need clients to live in the community at a relatively low cost by supporting their informal carers.	**30.000**	Subsidy increase of 1%. Service has not received a subsidy increase for several years. The average carer support package is $2,500 per annum.	Forecast demand pressure of 2%.	**0.900**	• If demand growth in this service is not funded it is likely that many of these clients will require more expensive disability services to enable them to live safely in the community • If subsidy rate is not adjusted there will be less incentive for carers to support disabled people in their homes resulting further demand growth for other DSS

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Supported Independent Living	Supported independent living (SIL) provides individualised support necessary for people with higher and more complex needs to enable them to continue living in the community and meet their goals rather than having to enter residential care. Supports are configured to match changes in service users needs. Supported living services goals are to assist the person to take command of his/her life while building critical and durable relationships and networks. SIL is identified as a key area of focus in the Government policy on DSS.	**33.000**	1%. This service did not get any price increase in 2009/10. No price increase in 2010/11, is likely to impact on service quality as providers struggle to absorb inflationary cost increases. The 1% would be used on a provider by provider basis to address sustainability in areas in which service gaps are likely to eventuate (such as rural areas).	The Ministry expects to be able to manage volume pressures if funding allows for 6% growth in volumes. This contrasts with volume growth of more than 13% per annum since 2006/07. The policy direction of supporting people in the community as opposed to more expensive and restrictive residential care services is a significant contributor to growth in this service. SIL clients are forecast to increase from 1875 in 2008/09 to 2100 in 2010/11.	**2.310**	● Progress on Government priorities will be compromised ● Higher thresholds for receiving support would need to be implemented for any new clients ● Service quality may be impacted with service gaps eventuating in areas where the service costs are greater (such as rural areas) ● Providers may be unable to fund any wage increases resulting in some form of industrial action
Environmental Support Services	Environmental Support Services are a range of services funded by the Ministry of Health including: Equipment and Modifications Service (EMS) to assist with daily living, Hearing Services (eg Hearing Aid Subsidy), Vision Services (eg Children's Spectacle Subsidy) and Specialised Assessment Services.	**107.000**	1%. No price increase will force providers to reduce the quality of services delivered to live within the contract amount. A significant proportion of the equipment is imported from overseas and currency fluctuations and rising freight costs are key drivers of increasing equipment costs.	Demand pressures on ESS are forecast at 4% for 2010/11 assuming budget management initiatives advised to the Minister of Health are taken. ESS waitlist at the beginning of October 2009 was $16.6m. The waitlist is forecast to grow to between $25m and $30m by 30 June 2010 unless budget management initatives are put in place to partly offset this demand growth.	**5.350**	● Waitlist will increase significantly more than forecast ● Clients that have been assessed as requiring ESS will not be able to access them in a timely fashion
High and Complex	The Intellectual Disability (Compulsory Care and Rehabilitation) Act 2003, which came into force on 1 September 2004, provides services to people with intellectual disability who offend. Funding also covers services for the intellectually disabled population with high and complex needs some of whom could potentially be subject to the Act.	**83.000**	1.00%	Funding was appropriated during Budget 2009 to manage volume pressures.	**0.830**	● High and complex services share common providers with mainstream disability services ● Giving an increase to mainstream providers and not to High and complex service providers will be difficult to justify. ● Service quality may be impacted ● Providers may also be unable manage wage pressures for this low paid workforce if the minimum wage is increased ● Risk of industrial action
NASC Management	NASC organisations are contracted to the Ministry of Health to identify disabled people's support needs. They provide options for allocating Ministry-funded support services and assist with accessing other supports.	**17.700**	1.00%	No volume pressure.	**0.177**	● NASCs play a vital role of assessing the needs and coordinating the delivery of services to eligible clients ● Their capability and capacity to enable efficient management of disability funding resources may be impacted
Crown Funding Agreements with DHBs	These are a range of disability support services provided by DHBs, including: Assessment Treatment and Rehabilitation services, Speech therapy, Social work, Occupational therapy, Child development etc.	**55.000**	1.00%	No volume pressure.	**0.550**	● DHBs are unlikely to sign the CFA agreements if no funding increases are given
Other services	These are a range of community based services provided to eligible clients with a disability. These services include: Rehabilitation services, Head injury services, Child development services, Specialist support services and Disability information and advisory services.	**86.200**	1%. Some of these providers have not had price increases for two to three years.	No volume pressure.	**0.862**	● Providers may be unable to manage wage pressures resulting in industrial action and/or provider viability will be threatened

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Electives Initiatives	Ministry-managed funding paid to DHBs to achieve Government electives targets including access to specialist assessments and diagnostics. Funding pressures dependent on Government targets, discharges delivered by DHBs, and price adjustments for hospital based services negotiated through the National Pricing Programme.	**198.000**	DHBs have planned to deliver 131,717 electives discharges in 2009/10. Maintaining this level in 2010/11 is estimated to require an additional $7.8m on top of the current planned expenditure of $198.4m (ie $206.2m), due to potential prices increases in the National Pricing Programme (averaged 7.6% over recent years).	This funding is to maintain quantity purchased in 2009/10. Funding of this level ($206.2 m) will deliver only a very small number (400) of additional discharges. Advice on funding required to meet the Government's elective target is provided under "meeting your priorities".	**7.800**	● Highly unlikely DHBs will be able to maintain 2009/10 elective volume discharges without finding further savings/producitivty improvements on top of those already identified to manage within their current deficit track ● The ability of DHBs to achieve the same volume of activity with less revenue will impact on achievement of the Government's electives target of an additional 4000 discharges on av pa
Section 88 services	The Primary Maternity Services Notice 2007 (or the 'Section 88 Notice') funds antenatal and postnatal care for up to six weeks after birth, and Lead Maternity Carers (LMCs) for eligible pregnant women in New Zealand. In addition it funds the presence of a woman's LMC at her birth (wherever it may be) and additional services such as ultrasound scans, obstetric and paediatric referrals, All other maternity services are funded by DHBs including all secondary and tertiary services and birthing facilities.	**128.576**	No price pressures as prices under Sec 88 are fixed. Pressure from LMCs for fee increases may emerge.	Fee for service subject to demand pressures in some services but with quantity guidelines. Birthrate relatively stable over the long term but subject to short term fluctuations and significant increases have been applied to this appropriation in recent years to manage increases in birthrate. However, ultra sound volumes have been increasing at an average of 7% pa. If this trend continues in 2010/11 the fiscal pressure is approximately $1m. There are also anticipated pressures in increase in NT scan volumes under s.88 Primary Maternity Services Notice due to roll-out of NSU guidelines and availability of first trimester blood testing associated with screening for Down Syndrome - approximately $1.2m.	**2.229**	● If the birth rate and claiming patterns remain relatively stable, and the fees in the s.88 Primary Maternity Services Notice are not increased, adverse consequences would be minimal ● Pressure from LMCs for fee increases may emerge
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Contact Lens (Northern region)	This subsidy covers contact lens supply and fitting for persons whose vision cannot be corrected by spectacle lenses.	**0.782**	No price pressure.	Forecast 15% growth for 2010/11 based on historical demand growth. Service area is forecasting a $250k overspend in 2009/10 due to increased demand which will be managed within current baselines.	**0.094**	● In the absence of policy and eligibility changes, this would require reprioritisation from elsewhere as this is currently an entitlement based service

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PHO Performance	The PHO Performance Programme is a quality improvement programme focused on improving the health of enrolled populations and reducing health inequalities by supporting clinical governance and continuous quality improvement processes with PHOs and general practice providers.	**28.000**	No price pressure	Volume pressure forecast of up to 5% due to PHOs meeting more performance targets and an increasing number of people being enrolled with PHOs.	**UQ**	• No direct service consequences, however, the PHO Agreement between the PHOs and DHBs sets the requirement for funding
Care Plus	Care Plus provides a structured care planning approach to people with high and complex health needs in the community. The PHO agreement enables Care Plus to be delivered to 5% of the total NZ population with currently 3.7% of the enrolled population recieving Care Plus.	**39.500**	No advised price pressure.	Volume pressure forecast at 16% due to continued uptake of the programme.	**6.700**	• New patients (who have been clinically assessed as requiring structured planning approach to long term care) will not have access to programme • Inequities of access across PHOs will continue if current funding is not reallocated more equitably
Very Low Cost Access & Under Sixes	VLCA is a voluntary PHO/practice scheme to reduce copayments for high needs communities. Under Sixes is provided to practices that commit each quarter to providing free standard consultations to children under six. It is a voluntary opt in (and opt out) scheme similar to the Very Low Cost Access initiative.	**28.000**	Price pressures dependent on LECG calculation of reasonable increase in primary care co-payments for practices outside the scheme.	No volume pressure forecast for the VLCA programme as entry to the scheme has been capped.	**UQ**	• Ongoing participation in the scheme may be unviable for some practices • If practices opt out of the scheme, patient co-payments for people aged over six years enrolled in those practices would increase, with the likelihood that fees for children aged under six would be introduced • Practices offering the Under Sixes scheme may make up for a perceived shortfall in government funding by increasing fees charged to other age groups where fees are not capped
Breast Screening Services	Screening services are demand driven services generally with targeted coverage for a defined population. Changes in the size of the defined population (ie population growth) plus ensuring coverage targets are achieved places cost pressure on service budgets. Within screening programmes technological developments that improve the effectiveness and cost effectiveness of screening can place cost pressure on service budgets in the short term. Screening services are purchased from DHBs.	**41.491**	Annual salary steps, negotiated settlements and other related staff pressures are forecast to contribute 3% price pressure to provider costs (staffing component of budget approximately 65%). Analogue x-ray equipment used by BSA Lead Providers is reaching obsolescence. BSA Lead Providers are in the process of implementing new digital mammography technologies (DMT). Alongside joint procurement and national systems, these changes are estimated to generate 25-30% increase in workforce productivity while improving service quality. An assumption of $2m has been made to fund Lead Provider depreciation charge on new investment.	Breast Screening services are primarily provided to women in the 50-69 age group. The proportion of women in this age group is increasing due to population ageing. This is estimated at 5.7% pa	**4.160**	• Reduction in service coverage • Some women will not be identified with breast cancer, affecting their health outcomes and in some instances leading to preventable deaths • Will affect workforce recruitment, retention, and quality potentially also impacting on service coverage • Improving coverage rates for Maori and Pacific women will be harder • Current ad hoc process of implmenting technology is likely to continue rather than realising the full value-for-money benefits.

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Cervical Screening Services	Screening services are demand driven services generally with targeted coverage for a defined population. Changes in the size of the defined population (ie population growth) plus ensuring coverage targets are achieved places cost pressure on service budgets. Screening services are purchased from DHBs. Cervical screening aims to identify lesions before they become cancerous thereby enabling early intervention to improve a given woman's health outcomes including morbidity.	**35.126**	Annual salary steps, negotiated settlements and other related staff pressures are forecast to contribute 3% price pressure to provider costs (staffing component of budget approximately 60%)	Cervical screening services are primarily provided to women in the 20-69 age group. The proportion of women in this age group is increasing due to population ageing. This is estimated at 3% pa. Targets are set for screening service coverage of eligible populations. The NCSP has a 75% coverage target. Overall coverage is currently 74.6%. An additional $0.03m is estimated to be required to achieve the 75% coverage target.	**1.350**	• Reduction in service coverage • Some women will not be identified with precancerous lesions, affecting their health outcomes and in some instances leading to preventable deaths • Based on initial estimates no funding growth for this programme could lead to up to 6 more deaths pa by 2014/15 than would otherwise have been the case • Will affect workforce recruitment, retention, and quality potentially also impacting service coverage • Improving coverage rates for Maori and Pacific women will be harder
Antenatal & Newborn Screening Services	Screening services are demand driven services generally with targeted coverage for a defined population. Changes in the size of the defined population (ie population growth) plus ensuring coverage targets are achieved places cost pressure on service budgets. Screening services are purchased from DHBs.	**13.859**	Annual salary steps, negotiated settlements and other related staff pressures are forecast to contribute 3% price pressure to provider costs (staffing component of budget approximately 60%)	Given the birthrate is relatively stable there is no demand pressure forecast for these services. Funding will be required for the Universal Newborn Hearing Screening system ($500k). Assuming currently appropriated funding of $2m for Antenatal Down Syndrome Screening quality improvement is maintained in outyears. If this funding is reprioritised the quality improvements sought in service are unlikely to be made.	**0.800**	• Will affect workforce recruitment, retention, and quality • Delay roll out of Universal Newborn Hearing Screening system
Public Health Unit (PHU) Services	Regional public health services are delivered by 12 District Health Board-owned public health units and various non-governmental organisations. DHB-based services and NGOs each deliver around half of these services. Public health units focus on 'core public health services' such as environmental health and tobacco control. Many of these services include a regulatory component performed by officers appointed under statutes.	**61.729**	PHU employ a wide range of staff some of who will be subject to annual salary adjustments and settlements.	PHUs have been advised to manage any volume pressures within their current budget.	**3.000**	• Some services will need to be scaled back • Capacity to respond to emergencies(Eg: disease pandemic) and delivering regulatory responsibilities for managing communicable disease and environmental health may be impacted
Workforce Training	This service funds training places in DHBs and other providers (eg GP primary care). Training funded includes Nursing, GPs, Midwifery, and post-graduate Medical specialities.	**124.597**	Price pressure estimated by application of FFT adjustor. No FFT applied to this service area in 2009/10. FFT funding has been used to maintain purchasing power of funding to ensure that DHBs and other providers remain incentivised to take on workforce trainees.	Volume pressure estimated by application of demographic adjustor as per previous years practice - 1.855%. No demo applied to this service area in 2009/10. Demographic funding has previously been used to increase the volume of trainees to meet future workforce demand or fund new types of training in line with Government priorities and future workforce needs.	**5.177**	• Impact on Ministry's ability to ensure trainee volumes are delivered • Will likely impact on the Ministry's ability to maintain contracted volumes and will mean that additional volumes on top of 2009/10 cannot be contracted for 2010/11 •The Ministry estimates that with no additional funding in 2010/11 training places may have to be reduced by up to 110 places.
	TOTAL Min NDE Budget under consideration	**1,633.36**		**TOTAL**	**59.949**	
	Total Min NDE	**2593**		**TOTAL Min NDE Budget under consideration**	**1,633.36**	
	% of Total Min NDE	**63%**		**% of TOTAL Min NDE under cons**	**3.67%**	