

The Treasury

Budget 2013 Information Release

Release Document

July 2013

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Reference: T2012/3237

Date: 11 December 2012

To:

Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

Associate Minister of Finance
(Hon Dr Jonathan Coleman)

Deadline: Cabinet Social Policy Committee Meeting, Wed 12 December 2012

Aide Memoire: Aide Memoire: Late SOC Paper: Paid Family Carers

Purpose

A late paper for SOC tomorrow asks Cabinet to agree a preferred policy response to court rulings requiring the Ministry of Health to change its blanket rule of not paying family carers – especially the parents of disabled adults. A final policy decision is not being sought yet, but the recommendations in this paper will set the course for work in the next 2 months.

The Treasury has been consulted and we have reviewed the Ministry of Health's costings. We agree with the recommendations in the paper. Further legal advice and analysis of options will be needed before a final decision is sought from Cabinet in February. This should include a full Regulatory Impact Analysis, which was not completed for this report, as regulatory and legislative options are being considered including legislation that may restrict people's rights to seek remedies for discrimination from the courts.

There are no immediate fiscal implications, as a final Cabinet decision will be sought in February 2013 and the costs are to be managed within Vote Health's budget allocation.

The immediate policy proposal is narrowly focused: on parents (not spouses) of disabled adults (except those with age-related disabilities). For this group, it proposes a new payment method (a "section 88 notice" as used to pay midwives) funding disabled people to employ their own family members. Targeting would limit eligibility to about 1,600 people in high and very high needs situations, with funding capped at 40 hours per week. The estimated cost is \$23 million per year.

It is uncertain if a response this narrowly focussed can be sustained against further challenges both in the courts and as a stable public policy position:

- Excluding spouses may trigger further discrimination claims (although the justification for this is potentially stronger than the current blanket ban on all family carers). Adding spouses could cost approximately \$18 million more per year.
 - Excluding those with age-related disabilities (supported by DHB-funded services) may trigger age discrimination claims. Adding this group, and funding spouses could cost approximately \$66 million more per year.
 - [6]
- It may also be difficult to sustain the rate of payment proposed: \$16 per hour (set with reference to the minimum wage and associated employment costs), as this is below the \$25 per hour gross rate paid to disability support service providers who employ non-family carers, and to disabled people under “individualised funding”.

Taking these groups into account, the overall fiscal risk to the Crown under the proposed approach is potentially over \$100 million per year.

It is therefore important that Vote Health’s 4 Year Plan provides not only for the \$23 million estimated cost of the preferred narrow option, but also for these potential flow-on costs. At this stage we have not seen any reprioritisation options developed to part-fund the cost of family carer payments from within existing disability support baselines or Vote Health more broadly.

Treasury Recommendation

We recommend that you **support** the recommendations in this paper.

John MacCormick, Senior Analyst, Health & Housing, [3]
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