The Treasury

Budget 2017 Information Release

Release Document July 2017

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[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.

Cost Benefit Analysis Template

Section A Descriptive Information

Vote	Health
Responsible Minister	Hon Dr Jonathan Coleman
Initiative title	Disability Support Services - Services Funding

Funding Sought ($m)	2017/18	2018/19	2019/20	2021/22 & out years	TOTAL
Operating	44.562	44.562	44.562	44.562	178.248
Capital	-	-	-	-	-

Problem Definition

A description of the problem or opportunity that this proposal seeks to address, and the counterfactual.

The current access framework to support system transformation is not fit for purpose

Disability Support Services (DSS) have undergone significant changes in recent years towards more choice, control and flexibility. These changes were designed to address issues that a number of reports on the disability system, including the 2008 Select Committee Review, indicated that the system is not delivering good outcomes for disabled people.

Issues raised included that the system currently:

- Does not provide disabled people, their families and whānau, with choice or control over the services and supports they receive;
- Has too great a focus on services rather than outcomes, with 'services' becoming the hub of disabled people's life, rather than natural supports;
- Has fragmentation of services across agencies and funding lines is resulting in multiple assessments, and many 'doors' to access support, and often the right support not being provided at the right time;
- Has inconsistent and inequitable types of services across regions;
- Is resulting in increasing costs to government and providers with concurrent increased demand for, and expectations of services.

Since the early 2000s, the Ministry of Health has been incrementally introducing change to:

- Transform the system to be client focussed, more permissive, localised and aligned with Enabling Good Lives principles;
- Streamline and release resources to do things differently, moving from a service and input focus to an outcomes focus;
- Shift disability services to being more responsive to contributing to or achieving good life outcomes for disabled people and afford them choice and control;
- Ensure natural supports are maximised and maintained;
- Manage demand and costs drivers so that people receive the right supports early on, that independence is maintained and maximised, and that more costly and least preferable outcomes (such as early entry into residential care) are avoided.

A number demonstrations to test new approaches have been underway, particularly the Enabling Good Lives demonstrations in Christchurch and Waikato, and the New Model demonstration in the Bay of Plenty. These demonstrations are now nearing completion and DSS is synthesising what the learnings are from them. Strategic decisions now need to be made around how to proceed with the delivery of the disability system, including national rollout of the access framework to disability supports which is fit for purpose, can deliver a transformed system, and has the appropriate levers and pricing models to ensure a transformed system which delivers better outcomes for people can be achieved within a sustainable spending trajectory.

Until the system transformation of DSS is complete, there will remain an annual need for DSS to seek additional funding to support the operational delivery. However, if this funding is not approved or deferred then DSS would need to consider a range of options around current service levels for some if it is to remain within its appropriation for 2017-18.

A possible menu of options to manage increasing growth is discussed in a later section. It is important to note that any actions taken to curb the expenditure would have associated risks.

Initiative Description
A description of what the initiative will provide or produce and how this will address the problem or opportunity.

This bid for increased funding is to simply maintain the level of DSS operational services currently being delivered without exceeding the annual appropriation.

- Behavioural Support & Specialised Services (BSS)
  - $0.37m to reflect the impact of CPI on service cost.
  - $1.83m to start to reduce the current waitlist (of over three months) and to widen the availability of services offered. This will result in a reduction in costs in the long term.
- Child Development Services CDS)
  - $0.47m to reflect the impact of CPI on service cost.
  - $2.35m to widen the availability of services offered to children other than those with high or very high needs. This will result in a reduction in costs in the long term.
- Intensive Wrap Around Services - $3.52m to double the size of the programme places to 80.
- Supported Living services
  - $1.05m to reflect the impact of CPI on Supported Living service cost.
  - $0.508m to reflect an increase in Supported Living services in place of Residential Care placement.
- Environment Support Services (ESS)
  - $1.85m to meet the increased baseline demand for EMS equipment based on increased access due to increased complexity and ageing population.
  - $0.75m to meet the demand for hearing aid subsidies for the over 65 year olds.
  - $0.481m to partially reduce the waitlist for adult cochlear implants.
  - $0.5m to meet the contractual liability under a MOU with ACC for hearing loss services for those who have a mix of injury and age related hearing loss.
- Funded Family Care (FFC)
  - $0.145m to reflect an increase in FFC services which are better suited to some family situations.
  - $0.221m to reflect the impact of a minimum wage increase in 2017.
- Household Management & Personal Care
  - $3.025m to reflect the impact of CPI on service cost.
  - $2.525m to reflect an increase in HM&PC services in place of more costly residential options.
- In Between Travel - $0.939m to reflect the impact of a minimum wage increase in 2017.
- Residential Care services
  - $2.7m to reflect the impact of a minimum wage increase in 2017.
  - $10.54m – to meet price driven pressures arising from increasing costs to providers in delivery of service (excluding minimum wage increases).
  - $10.79m – to meet volume driven pressures arising from increasing behavioural complexity presentation by disabled persons.

Alternative Options Considered

The principal alternative to seeking an annual increase in funding stemming from cost pressures is to implement changes to the current level of services offered (the counterfactual).

Other Budget 2017 bid funding application that DSS is making, although it does present some cost savings, is principally engineered around changing and improving the DSS operational delivery. In the short term it does not represent a cost saving alternative to annual cost pressures.

In order for DSS to maximise opportunities with improved operational service delivery, it will need to implement a new national Residential Pricing Model.

The other DSS bid is the transformation of the DSS operational service platform through an investment in the NASC and LAC frameworks.

Short term - Implement changes to current service levels

If this funding is not approved or deferred then DSS would need to consider some or all of the following actions if it is to remain within its appropriation for 2017-18. The list below is not exhaustive, simply the most logical and easiest starting points.

1. Change the Carer Support subsidy to a one- off annual payment
2. Adjust upwards the Equipment Prioritisation Tool threshold for access to non-standard equipment
3. Adjust upwards the threshold for low cost equipment provided under Equipment & Modification Services. Currently any equipment under $50 is not funded
4. Introduce a co-payment from recipients with respect to all housing modifications or provide a maximum contribution from the Ministry
5. Introduce additional eligibility criteria for equipment provided under ESS. For example a Community Services Card required to enable access to hearing aids, contact lenses and other equipment
6. Limiting the amount of the Community Care support services, for example the number of hours allocated for Household Management support
7. Reduce Individualised Funding (IF) allocations
8. Focus NASC resource to review the consistency and reasonableness of allocated support packages with the stated goal of reducing them to be more in line with the current national average
9. Increase waitlists and wait times on referrals for Early Intervention (EI) support services
10. Restrict the availability for persons to be eligible for EI support services

Section B Impact Analysis

Impact Analysis

An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.

The principal impact of this suite of initiatives is that the current standard and levels of access to disability support services is maintained, while reorientation of the system to prepare for the future and improve outcomes continues.

As the population grows, and price pressure on services increases (both due to complexity of needs and input costs) it is important that services are expanded to maintain year on year equity. Without this, necessary service rationalisation would raise the level of disability required to receive services. By ensuring the appropriate level of access, individuals are able to access community support services to maintain their independence, and remain engaged in the community, education and workforce. Failure to provide supports can lead to escalation of need, community isolation, and ultimately greater costs as the need for residential care arrives sooner.

Pressure in the residential care sector is slightly different – volumes are increasing slower than population growth, but greater complexity of service need (partly due to people living longer with disabilities, and partly due to greater numbers of people with high-need autism spectrum disorder) is driving up the unit price. Once again, maintaining access levels lowers the number of individuals in inappropriate living arrangements – particularly family structures that are not able to manage their needs, and communities that are not safe for them.

Maintaining access assumes that the current level of access is appropriate. In fact, the substantial return on investment from these initiatives illustrates that service levels can be increased and still deliver savings through better outcomes, greater independence, and avoiding negative outcomes of inappropriate support settings.

As a result, disability support services continue to evolve the model of care to improve outcomes and reduce future costs, for example the further roll-out of the enabling good lives programme. This unlocks similar benefits to the expansion of services mentioned above – greater independence, better health outcomes, reduced downstream demand, involvement in education and the workforce – while shifting the disability support system to a more effective and efficient model of care.

Impact Summary Table
All monetised and non-monetised impacts should be listed.

Impact Summary Table

Impacts - Identify and list $m present value, for monetised impacts	Option/scenario 1	Option/scenario 2	Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty[1]
Estimated impact on key outcomes				
Maintains increased independence, use of mainstream rather than disability specific supports, increased choice and control of supports increases quality of life.			The fiscal cost is spread across a wide number of the DSS service operating functions.	Low
Impact 1: Extra personal income generated (adults)	68	4,198	As a result of continued support for disabled people to live in community, a small percentage of them will obtain employment. We assume that the success rate is 10%.	Low
Impact 3: Reduction in residential care costs	332	679	As a result of continued support for disabled people to live in community independently, the number of people enter residential care will reduce. Additionally, by maintaining the necessary supports and early intervention for children and young disabled people, we expect that the number of children and young people enter residential care will reduce.	Low
Cost of the Initiative				
Fiscal operating costs of the initiative is to maintain service delivery.	**(680)**	(1,120)	Current cohort of 32,000 supported through NASCA framework. The $4.562m is additional to the current annual cost of $1,168.8m. There is an additional cohort of 70,000+ persons who receive financial assistance from ESS.	Low
Government Benefits/(Costs)				
Impact 2: Additional income tax and ACC levy (adults)	16	36	As a result of continued support for disabled people to live in community, a small percentage of them will obtain employment.	Low
Impact 3: Reduction in residential care costs	332	679	As a result of continued support for disabled people to live in community independently, the number of people enter residential care will reduce. Additionally, by maintaining the necessary supports and early intervention for children and young disabled people, we expect that the number of children and young people enter residential care will reduce.	Low
Impact 10: Reduction in publicly funded GP visits	9	22	By maintaining the quality of care, the initiative will reduce the risk of illness for clients (6.7% of the target population). Length of the impact is 2 years.	Low
Impact 12: Reduction in Foster Care allowance payments	54	124	By maintaining the necessary supports and intervention for children and young disabled people, the initiative is expected to reduce the risk of foster care.	Low
Impact 13: Reduction in the social costs associated with truancy	2	5	By maintaining the necessary supports and intervention for children and young disabled people, the initiative is expected to reduce the risk of truancy.	Low
Impact 17:Reduction of additional cost of children being placed with special school unit	117	268	By maintaining the necessary supports and intervention for children and young disabled people, the initiative is expected to reduce the risk of special education. The success rate is 5%.	Low
Impact 18: Reduction of DSS costs for known children and young people in state care (CYF)	151	346	By maintaining the necessary supports and intervention for children and young disabled people, the initiative is expected to reduce the risk of CYF care. The success rate is 5%.	Low

Impact 19: Reduction in Emergency service use	21	52	By maintaining the quality of care, the initiative reduces risk of emergency room visits for 6.7% of the population. Length of the impact is 2 years.	Low
Impact 20: Reduction in Ambulance service call out	43	102	By maintaining the quality of care, the initiative reduces risk of ambulance call out for 6.7% of the target population. Length of the impact is 2 years.	Low
Impact 21: Reduction of inpatient hospital visits	58	140	By maintaining the quality of care, the initiative will reduce the risk of in-patient hospital visit for 1.3% of the population. Length of the impact is 2 years.	Low
Impact 22- Reduction in home nurse visits	9	22	By maintaining the quality of care, the initiative will reduce the need for home nurse visits for 7% of the target population. Length of impact is 2 years.	Low
Impact 23: Increased income tax and ACC levy (children)	8	19	By maintaining the necessary supports and early intervention for children and young disabled people, we expect that a number of children and young people at the moderate end of the target population can move from benefits to employment. The impact occurs 5 years after the intervention year.	Low
Impact 25: Reduction in supported living payments	280	642	By maintaining the necessary supports and early intervention for children and young disabled people, we expect that a number of children and young people at the moderate end of the target population can move from benefits to employment. The impact occurs 5 years after the intervention year.	Low
Total Quantified Government Impact	**1,102**	2,458		
Wider Societal Benefits/(Costs)				
Impact 1: Extra personal income generated (adults)	68	154	As a result of continued support for disabled people to live in community, a small percentage of them will obtain employment. We assume that the success rate is 10%.	Low
Impact 9: Increased quality of life (feel in control measure)	1,831	4,198	We expect that the initiative will increase the quality of life for clients as they are able to receive necessary supports without any reduction in the quality of service. Length of impact 5 years	Low
Impact 14: Reduction in violent offences	89	204	By continuing to fund the delivery of DSS supports, 78 children and young persons in state care will not commit some form violent offence.	Low
Impact 24: Extra personal income generated (children)	45	19	By maintaining the necessary supports and early intervention for children and young disabled people, we expect that a number of children and young people at the moderate end of the target population can move from benefits to employment. The impact occurs 5 years after the intervention year.	Low
Total Quantified Wider Societal Impact	**2,034**	**4,660**		Low
Net Present Value of Total Quantified Societal Impacts	**2,456**	**4,303**		Low

Section C Conclusions

Conclusions

What is being recommended and why?
Until DSS has undergone system transformation, DSS needs to continue with its operational delivery. This is either maintained with annual increases or service delivery is reduced. This proposal supports continued delivery at the existing level with an increase in Early Intervention services.

Overall Ratings	
Value for Money[2]	**Strategic Alignment**[3]
3 medium/break even confident	4 High alignment

Summary of monetised results [only fill this out if you have monetised costs and benefits]		
Use ranges for values where appropriate	**Discount Rate**	
	6% real (default)	**3% real (sensitivity)**
Net Present Value (NPV)[4]	$2,456m	$4,303m
Benefit Cost Ratio (BCR)[5]	4.6	4.8
Return on Investment (ROI) – Societal Total [6]	4.6	4.8
Return on Investment (ROI) – Government[7]	1.8	1.0

Supporting Evidence **ie, the bibliography**
Anecdotal and experience from previous DSS service delivery.

Ex-post Impact Evaluation Plan ***How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section B?***[8]
Data collection and impact evaluation method Principal measure will be DSS remaining within appropriation.
Funding of evaluation No formal evaluations to be undertaken.

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2 For guidance on Value for Money ratings see Budget 2017 guidance section 3.2.2

3 For guidance on Strategic alignment ratings see Budget 2017 guidance section 3.1.5

4 **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

5 **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.

6 **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every $1 the government spends on this programme, New Zealanders receive benefits of $3.

7 **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

8 More information on this impact evaluation plan is available in the Budget 2017 guidance Section 4

Completion dates, publication, and dissemination of findings to key stakeholders

N/a