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Chair, Cabinet Social Wellbeing Committee

# Transforming the disability support system: Approval to spend the tagged contingency

## Proposal

1. This paper seeks your agreement to spend the tagged contingency funding for the prototype of a transformed disability support system in the MidCentral District Health Board (DHB) region[[1]](#footnote-1) (the MidCentral prototype). A separate paper from the Minister for Disability Issues and Associate Minister of Health seeks approval to start the MidCentral prototype on 1 October 2018.

## Executive Summary

1. Approval is sought to drawdown the funding of $23.842 million over two financial years from the available Budget 2017 tagged contingency [CAB-17-MIN-0185.12 refers] for:

a the MidCentral prototype of the transformed disability support system to start on 1 October 2018; and

b to continue the Enabling Good Lives (EGL) demonstrations in Christchurch and Waikato.

1. The prototype of the transformed cross-government disability support system is for about 1,600 disabled children, young people and adults in MidCentral from 1 October 2018. The objectives of transforming the disability support system are to give disabled people and their whānau more options and decision making authority about their supports and lives, to improve their outcomes, and to create a more cost-effective disability support system.
2. Disabled people, whānau, providers and officials have been co-designing the prototype over the last year. Key features include people being welcomed into the system in multiple ways, access to a Connector, easy to use information and processes that meet the diverse needs of disabled people, streamlined funding and allocation processes, access to a personal budget that can be used flexibly, seamless support across government, capability funding for disabled people and their whānau, and greater system accountability to disabled people and their whānau. Work continues on funding allocation and accountability arrangements and workforce issues.
3. A ‘try, learn and adjust’ approach will be taken for the MidCentral prototype to refine and finalise the model. Disabled people and their whānau will be involved in governance arrangements, monitoring and evaluation.
4. Decisions are not being sought at this time on whether to roll the transformed system out nationwide. Rather, advice on the nationwide transformation will be provided in late 2020. That advice will benefit from evaluation findings and increased certainty about the costs of transforming the system.

## Background

1. In February 2017, the previous government agreed that the Ministries of Health and Social Development would work alongside the disabled community to design a process for a nationwide transformation of the disability support system starting with the MidCentral DHB region [SOC-17-MIN-0007 refers]. The initial scope for system transformation was for people eligible for ongoing support through Disability Support Services (DSS) funded through the Ministry of Health.
2. The high level design was developed through a co-design process with a group involving disabled people, whānau, providers and officials. Detailed design was developed with a range of working groups involving at least a third disabled people on each group.
3. In Budget 2017, the Government agreed that $23.842 million would be set aside in a “Disability Support Services – Enabling Good Lives” tagged contingency over the years 2017/18 to 2019/20 to support system transformation and to fund the transformation of the MidCentral region disability services [CAB-17-MIN-0185.12 refers]
4. In July 2017, Cabinet noted the high level design and invited the Minister for Disability Issues and Associate Minister of Health [SOC-17-MIN-0085 refers] to report back in February 2018 on the design of the transformed disability support system and high level implementation plan for the MidCentral region.
5. A separate paper from the Minister for Disability Issues and Associate Minister of Health contains details of the design and implementation of the MidCentral prototype and seeks approval to start on 1 October 2018.
6. In February 2018, Cabinet agreed to extend the expiry date of a Budget 2017 tagged contingency Disability Support Services – Enabling Good Lives from 1 February 2018 to 3 April 2018 [CAB-18-MIN-0021 refers]. On 28 March 2018, Cabinet Social Wellbeing Committee subsequently agreed to a further extension of tagged contingency from 3 April to 30 July 2018 [SWC-18-MIN-0026 refers].
7. The Cabinet Business Committee minute noted that the February 2018 report back would be delivered a month later than previously agreed by Cabinet to enable officials to fully brief and engage with Ministers on the proposal [CBC-18-MIN-0018 refers].

# Funding for the MidCentral Prototype

1. Additional funding is required for several purposes in the MidCentral prototype, and to continue the EGL demonstrations in Christchurch and Waikato. These additional costs can be met from within a Budget 2017 EGL tagged contingency [CBC-18-MIN-0018 refers] and are summarised in Table 1 below.

## Table 1: Proposed use of Budget 2017 contingency funding

|  |
| --- |
| **System Transformation: Estimated Additional Expenditure ($ million)** |
| **Expenditure category[[2]](#footnote-2)** | **2018/19** | **2019/20** | **Total**  |
| Additional direct support  | 2.939 | 3.546 | 6.485 |
| Additional indirect support  | 3.118 | 3.055 | 6.173 |
| Infrastructure  | 1.329 | 0.576 | 1.905 |
| One-off transitional and implementation costs  | 3.907 | 2.772 | 6.679 |
| Continuation of existing EGL demonstrations  | 1.300 | 1.300 | 2.600  |
| **Total**  | **12.593** | **11.249** | **23.842** |

1. The majority of the funding will be used to increase direct and indirect support for disabled people and whānau in a way that results in better outcomes and long-term value for money. The additional support encompasses:
	1. ***Additional direct support allocated to disabled people and whānau***. The direct support will mainly fund early interventions and improved access to specialist services. This ‘hump funding’ is expected to improve outcomes and/ or reduce costs in the medium to longer term (e.g. easier access to specialist services and other early intervention could result in families with disabled children feeling less stressed and improve overall family functioning).
	2. ***Additional indirect support for disabled people and whānau.*** Indirect support will be delivered primarily by Connectors, as well as through a focus on building the capability of disabled people, whānau, support workforce and providers, as well as funding for EGL workshops across New Zealand. This indirect support will enable disabled people to identify new options and possibilities for their life, and build networks, skills, capacities and capabilities to make the new options and possibilities a reality.
2. Other costs include the following:
	1. ***Infrastructure for the transformed system.*** This encompasses the back-office team that will replace the current Needs Assessment and Service Coordination (NASC), and the costs associated with the national and regional governance of the MidCentral prototype
	2. ***One-off transitional and implementation costs.*** These costs include the team co-designing the transformed system with the disability community, an interim IT solution, and monitoring and evaluation arrangements. It also includes the impact of bringing forward payments from being in arrears (when contracted providers deliver services) to being in advance (when people receive personal budgets)
	3. Funding to continue the Christchurch and Waikato EGL demonstrations until June 2020 when they are due to be transformed.
3. Three main factors would drive the medium term financial implications of the MidCentral prototype beyond the end of 2019/20:
	1. The continuation of additional investment that is being funded through the drawdown of the tagged Budget contingency, estimated in the order of $8 to $9 million a year
	2. Increased demand for funded support from people who are new to the disability support system. Initial costings suggest this could be in the order of $1.4 million (a 5% increase in people) to $8.3 million a year (a 30% increase in people). These costs will only become clear following the operation of the prototype
	3. Long term savings through early investments in supports. For example, evidence shows that the understanding Connectors[[3]](#footnote-3) build with disabled people and their whānau can lead to the identification of effective supports that will typically reduce the need for increased support in the future.
4. The balance between these factors will only become clear over time.

**Advice on national roll-out will be provided in late 2020**

1. Decisions are not being sought at this stage on whether to roll the transformed system out nationwide. Given the scale of the change, and the impact on disabled people, whānau, providers, workforce, and government agencies, it is critical to take the time to get the model right before considering a possible national roll out. Taking the time to get the model right will also provide time to reduce the current uncertainties about the costs associated with the transformed system. To enable that learning to happen, advice will be provided to Cabinet on the nationwide roll out of a transformed system in late 2020, following the evaluation of the prototype. At that stage, work will commence on developing the required IT systems.
2. Funding for the nationwide rollout of the transformed system will be sought through usual Budget processes. There is considerable uncertainty about the level of funding that might be required. Current indicative estimates are that the ongoing costs could be in the order of $140-$160 million a year, plus provision for an updated nationwide IT solution and transitional costs for organisational and governance changes. These estimates are, however, based on a wide range of assumptions and uncertainties that will be further tested through the prototype.
3. Some of the key assumptions that will be tested include the final model of the transformed system and its ongoing operation, as well as the following:
	1. The extent of increased demand for funded support from people who are new to the disability support system. Those costs would be in the order of $28 million if there is a 5% increase in people, $85 million if there is a 15% increase, or $170 million a year if there is a 30% increase in people).
	2. The extent to which funding can be freed up through Connectors working with disabled people and their whānau to plan for and build the life they are seeking in different ways, (such as increased use of early interventions). For example, investing in equipment and assistive technologies that may cost more upfront, but can significantly increase independence for disabled people and their whānau and reduce the need for ongoing support.

## Consultation

1. A range of disability groups and agencies were consulted on the proposals for the prototype. These are described in the separate Cabinet paper from the Minister for Disability Issues and Associate Minister of Health ‘Transforming the disability support system: Approval to commence MidCentral Prototype’.
2. The Treasury was consulted on the financial implications of this paper and supports the proposals.

## Human Rights

1. The decisions sought in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Legislative Implications

1. There are no immediate legislative implications arising from the proposals outlined in this paper.

**Impact Analysis**

1. An impact analysis is not required for the proposals outlined in this paper.

**Gender Implications**

1. There are several gender implications for disabled people and their whānau and support workers:
	1. Women continue to contribute the majority of the unpaid labour for disabled people depending on whānau for support. Relying on partners for support can strain relationships and lead to a loss of independence that can mainly affect women, including disabled women. The transformation should help to ease this situation.
	2. For support workers, any changes to employment resulting from the proposed changes will need to be carefully managed to maintain pay, conditions, and employment security of the mainly female disability support workforce. This includes maintaining the benefits of the Care and Support Workers’ Equal Pay Settlement, the In-between Travel Settlement, and the Sleep-over Settlement.
	3. At 31 January 2018, about 700 disabled women and young girls receiving DSS services in MidCentral are likely to benefit from the transformation in the prototype. It will also bring benefits for women in terms of their role in caring for a disabled whānau member and their wider whānau care and leadership roles.

**Disability Perspective**

1. The objective of this paper is to seek approval for funding to transform the disability support system to give disabled people and their whānau more options and decision making authority about their supports and lives, to improve their outcomes, and create a more cost-effective disability support system. The disability sector is very interested in, and supportive of, this work. The separate Cabinet paper from the Minister for Disability Issues and Associate Minister of Health for approval to start the MidCentral prototype, reflects the co-design process and describes the close involvement with disability groups. Several of these groups provided a statement for inclusion in the separate paper.

## Publicity

1. There will be ongoing communications including Ministerial announcements about the prototype of the transformed disability support system.

## Recommendations

1. The Minister for Disability Issues and the Associate Minister of Health recommend that Cabinet Social Wellbeing Committee:
2. **Note** that in response to calls from the disabled community, the previous Cabinet directed the Ministries of Health and Social Development to work alongside the disability community to co-design a nationwide transformation of the disability support system [SOC-17-MIN-0007 refers];
3. **Note** that in Budget 2017, the Government agreed that $23.842 million would be set aside in a “Disability Support Services – Enabling Good Lives” tagged contingency over the years 2017/18 to 2019/20 to support system transformation and to fund the transformation of the MidCentral region disability services [CAB-17-MIN-0185.12 refers];
4. **Note** that in July 2017 the Government invited the Minister for Disability Issues and Associate Minister of Health to report back in February 2018 on the detailed design of the transformed disability support prototype for MidCentral and the high level implementation plan [SOC-17-MIN-0085 refers];
5. **Note** that Cabinet agreed to extend the Disability Support Services – Enabling Good Lives tagged contingency from 1 February 2018 to 3 April 2018 [CAB-18-MIN-0021 refers];
6. **Note** that Cabinet Social Wellbeing Committee agreed to further extend the Disability Support Services – Enabling Good Lives tagged contingency from 3 April to 30 July 2018 [SWC-18-MIN-0026 refers];
7. **Note** that this paper is being considered with the related paper from the Minister for Disability Issues and Associate Minister of Health ‘Transforming the disability support system: Approval to commence MidCentral Prototype’ seeking approval to start on 1 October 2018;
8. **Note** that the prototype approved in the related paper from the Minister for Disability Issues and Associate Minister of Health ‘Transforming the disability support system: Approval to commence MidCentral Prototype’ will incur expenses of $12.593 million in 2018/19 and $11.249 in 2019/20;
9. **Agree** that the expenses in recommendation 7 above be a charge against the Disability Support Services – Enabling Good Lives tagged contingency, established as part of Budget 2017;
10. **Approve** the following changes toappropriations to give effect to the policy decision in recommendation 8 above:

|  |  |
| --- | --- |
|  | $m – increase (decrease) |
|  | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2021/22 & out years |
| **Vote Health**Minister of HealthNon-Departmental Output ExpenseNational Disability Support Services  | 5.622 | 4.829  | -  | - | -  |
| Departmental Output ExpenseManaging the Purchase of Services(Funded by Revenue Crown) | 6.971 | 6.420 | - | - | - |
| **Total operating** | **12.593** | **11.249** | **-** | **-** | **-** |

1. **Note** that advice will be provided to Cabinet on the nationwide transformation of the disability support system in late 2020.

Authorised for lodgement.

Hon Dr David Clark

Minister of Health

1. The MidCentral DHB region (MidCentral region) includes Palmerston North, Horowhenua, Manawatu, Ōtaki and Tararua districts. [↑](#footnote-ref-1)
2. These categories are described further in paragraphs 15 and 16. [↑](#footnote-ref-2)
3. Connectors can walk alongside disabled people and whānau if they choose, to help them identify what they want in their lives, how to build their life, and the range of supports available to live their life [↑](#footnote-ref-3)