



FLEXIBLE FUNDING TO SUPPORT DISABLED PEOPLE AND THEIR FAMILIES

June 2018

1. Background

- 1.1** The New Zealand Carers Alliance contracted Synergia to undertake a review and analysis of New Zealand's flexible funding models notably Carer Support and Individualised Funding and its variants.
- 1.2** The report, *Flexible Funding To Support Disabled People and Their Families: A review and analysis of New Zealand's flexible funding market*, is attached. It provides useful information on the scope and estimated costs of current flexible funding approaches.
- 1.3** Synergia's analysis suggests the most significant immediate area for expansion of flexible funding is Carer Support, with allocations of less than \$5,000 due to be released as personal budgets by 1 September. The report also flags escalating growth in user numbers for IF and its variants leading to a corresponding growth in administration, compliance, and service fees. The Synergia data flags that IF, like Carer Support, provides an immediate opportunity to release lower value budgets to increase flexibility, choice, control, and efficiency of Crown spending for more disabled people and families.
- 1.4** The report confirms what we already know: that average packages of flexible funding are small, i.e. just \$2,000 for Carer Support, while almost 50% of flexible funding packages are valued at less than \$10,000, and 70% of packages at less than \$20,000.
- 1.5** The report indicates that continuing to fund IF, Enhanced IF, and IF Respite within the existing host model is wasteful, and does not maximise the value of these packages to disabled people and families. This aligns with concerns raised by NZ Carers Alliance members that the IF hosting structure removes choice and control, lacks transparency, imposes unnecessary additional costs and works against EGL principles.
- 1.6** We have summarised concerns raised by Synergia's analysis in this overview, with recommendations for improvements and change.
- 1.7** In particular we recommend that immediate action be taken to release IF, EIF, and IF Respite packages of \$10,000 or less as personal budgets. This would accelerate system transformation to more parts of the country, save public money to allow disabled people and families to purchase more supports, and remove unnecessary administrative and compliance burdens.
- 1.8** The Synergia data flags other opportunities and issues to accelerate system transformation for those who want to self-manage their personal budgets, as outlined in this overview.

2. Key Concerns

- 2.1 Access to personal budgets** Currently the Ministry of Health or its agents (NASCs) determine the level of budget for IF personal budget holders. People access their budgets through Ministry of Health contracted hosts who act as gatekeepers to handle funds, verify payments against rules and oversee budget reporting.
- 2.2 Discriminatory practice** The level of oversight, process and red tape imposed on IF personal budget holders is in stark contrast to how other disabled people access their Ministry of Health funding and how other government agency funding is provided. No other recipients of government human services are, to our knowledge, subject to such levels of accountability, process and reporting in relation to their funding. The value of an IF budget received by most disabled people is less than the amounts paid to unemployed people, those receiving the Supported Living Payment, and older persons. All those citizens have direct access to their support / funding with significantly less constraints on spending.
- 2.3 Removes choice and control** The imposition of compulsory hosts denies IF budget holders choice, flexibility and control over their legitimate, assessed budgets. The imposition of a gatekeeper for claiming, verifying, paying and reporting on all budget amounts is contrary to the Ministry's own policy and wider policy settings of this government.
- 2.4 Poor transparency** Hosts have a significant influence over people with IF budgets and the choices they exercise. The Ministry of Health contracting structure allows hosts to offer and benefit financially from "other services" to IF budget holders. Families may take up other host services even though they may not be needed, wanted or understood, and these other market services or roles may not be disclosed. Charges may occur for services not used. It is estimated that hosts charge and deduct over \$2m p.a. from the IF personal budgets they manage.
- 2.5 Breach of government procurement practice** The ability of hosts to financially benefit from the IF personal budgets they manage is contrary to duties of trust and government procurement rules. The published IF host contract does not contain standard government conflict of interest provisions.
- 2.6 Wasteful** The Ministry pays an estimated \$4.5m each year to hosts. These Ministry fees, essentially for financial services, are paid to the host as a fixed fee per client. The host structure is costly. For most IF budget holders, the Ministry paid host fee (per client \$1,500 in year one and about \$1,000 per year after that) is between 20% and 80% of the average value of an IF user's entire budget. Those fees are not justifiable and would fund hundreds of thousands of hours of additional support and services for disabled people, their families and carers.
- 2.7 Host dominance** Currently one IF host holds a dominant market position, controlling funding for an estimated 70% of all IF personal budgets, estimated to be between \$55-60m of annual IF funding. The Ministry of Health pays the host an estimated \$3m+ p.a. for budget control / financial services. The host also charges IF clients an additional estimated \$1-\$1.5m p.a. for other services, deducted from the personal budgets it manages.

3. Actions Sought

3.1 Accelerate transformation through release of IF packages as personal budgets

The number of people with personal budgets is growing with 900 new IF people in the past year. At the same time the current IF structure is, reportedly, to stay in place pending the outcomes of transformation trials. There is no justification for the IF structure to remain in place any longer. IF holders are entitled, now, to have their funding delivered in the same non-discriminatory way as other citizens.

3.2 Use existing flexible budget structures to accelerate transformation

The Ministry of Health already uses the following disability budget structures which are consistent with its policy of flexibility, choice and control. The Ministry of Health can deliver IF personal budgets through these structures without more delay:

- **Flexible Respite Budgets**

Flexible Respite Budgets (FRB) are disability budgets, approved by Cabinet, scheduled to start in September 2018 (see Ministry's *Respite Strategy*), of up to \$5,000 for respite and Carer Support. The budgets are provided to people, with spending guidelines. There is no host or gatekeeper. Total funding is estimated at about \$78m p.a. The new flexible budget structure can be expanded relevant spending guidelines to include about 60% of all IF budget holders. The 2,350 people with the lowest value IF budgets have an average budget of just \$5,725 p.a. The aggregate funding for this group is about \$13.5m p.a. If these personal budgets were included in an expanded FRB delivery, the Ministry of Health would save about \$2.5-\$3m p.a. in host fees which could be applied to more supports for more disabled people and families.

- **Enabling Good Lives**

This funding is available for people with disability in Waikato and Christchurch. Cabinet recently approved a further rollout of self-direction in the MidCentral region for up to 1,600 disabled people. EGL spending guidelines recognise wide spending choices are validly made by disabled people. Self-direction does not require a host or gatekeeper. People can choose assistance with budget management from hosts, service providers, accountants or other advisors). This approach could be offered to the estimated 1,500 people with higher value IF budgets (i.e., not accessed under FRB) across the country. Existing IF people living in MidCentral will qualify for self-direction of their funding. The others should not be forced to continue to use the current IF structure by reason of post code. The total IF funding for the higher value budget group is about \$57m p.a. They should be transferred into EGL, giving EGL more critical mass. Administrative savings from IF host costs (estimated \$1.5m p.a.) could supplement additional EGL delivery costs.

3.3 Changes to the host role This role would change. Hosts and other providers may offer services to people with disability, their families and carers. However, hosts would no longer be the compulsory holders of personal budgets. The significant change is that access to, and control over, a person's budget and service portability will rest with the person themselves. Hosts may transparently compete for services based on price, quality, experience and other attributes valued by the disability community.

3.4 Meeting with Minister We are seeking an opportunity to meet and discuss the issues raised with the Minister. We call for urgent action to ensure more transparent and cost-effective access to personal budgets to maximise choice, flexibility and control for more disabled people and their families.