

Residential Care Providers

Summarised output across all four engagement sessions

November 2024



Overview

The Independent Review into the Sustainability of Disability Support Services (DSS) ('the Independent Review') outlined seven recommendations to progress towards more stable, predictable, and consistent Disability Support Services (DSS).

Recommendation 2 froze residential care funding, maintaining 2023/24 funding levels for residential facility-based care for 2024/25 pending commissioning and completion of a detailed and urgent review of the contract and pricing models.

The DSS Taskforce is progressing the urgent review to provide advice to the Government.

Engagement Sessions

DSS ran a series of engagement sessions between 13 and 15 November 2024.

These focused on exploring Recommendation 2 (Residential Contract and Pricing Models) of the Independent Review.

Each engagement session was focused on a particular provider group:

Group 1: Medium Providers (7 organisations)

Group 2: Large Providers (11 organisations)

Group 3 Small Providers (8 organisations)

Group 4: Aged Residential Care providers (6 organisations).

The overall purpose of these engagement sessions was to gain insights from providers and input into the initial advice to Cabinet, informing a more sustainable, consistent, fair and transparent model.

Desired outcomes

The purpose of these engagement sessions was to gain an understanding of residential care funding from a provider perspective.

1. Better understand the provider experience and perspectives
2. Outline and describe the main issues with the status quo
3. Prioritise short- term challenges to be addressed

Discussion questions

Three sessions were facilitated with each engagement group as follows:

Session 1: Provider Challenges

Providers were asked to outline what residential care pricing and funding issues need to be addressed so that residential care continues to be provided while better managing the costs. Providers were asked to provide their commentary based on six categories.

Session 2: Prioritisation of Principles

Providers were asked to rank a series of pricing and funding related principles on a scale of least important to most important.

Session 3: Short-Term Stability

Providers were asked to consider the key issues identified in Session 1 (provider challenges) and decide which issues were more important to prioritise / address first to provide short-term stability. Votes were made by providers on those themes that should be prioritised.

The overarching key themes from the questions discussed in the engagement sessions have been summarised below.

Session 1: Provider Challenges

Support expectations

Discussion points

When you receive DSS residential care funding, is there a clear understanding of the quality and quantity of care you are expected to provide for disabled people for that funding?

Overarching themes from the engagement sessions

All groups emphasised the need for greater clarity about service expectations from the centre. Providers specifically highlighted that:

- **Group 2 (Large Providers) and Group 3 (Small Providers):** There is a lack of clarity and consistency in residential support expectations across funders, NASC assessments, and service specifications. This makes delivering services difficult to plan for and can contribute to a misalignment between the price that DSS pays and the providers' financial ability to deliver services.
- **Group 1 (Medium Providers):** Providing whole of life, responsive care does not align with the services specification. Funding needs to be able to be flexed and reevaluated to care for disabled people when their needs change.
- **Group 4 (Aged Residential Care Providers):** DSS funding doesn't cover the level of care providers feel is required for some disabled people, which providers consider results in under provision of some services.

Additional provider comments

- Providers often receive unclear or incomplete client information from whānau when receiving care applications which makes it difficult to define and understand care requirements and expectations.
- There is a difference between the actual residential care services provided and funder (DSS) service expectations. While funds are somewhat sufficient to support a care model, they do not support disabled people to live full lives, in accordance with EGL principles.
- The current pricing model does not support the provision of increasingly individualised care services.

Regional Consistency

Discussion points

Do you feel that residential care pricing and funding is allowing there to be consistency of provision of care within your region? What about nationally? What is driving the variation if there is any?

Overarching themes from the engagement sessions

All groups expressed a need for greater transparency across -- and justification for differences in -- pricing and funding and expressed concern that there was unwarranted variation across regions. Relatively, providers were less concerned about the *existence* of variation, and more concerned about the lack of a transparent rationale for variation that exists. Providers also highlighted that:

- Group 1, 2 and 3 (Medium, Large and Aged Residential Care providers): There is a need for transparent and consistent residential care pricing and funding across regions to address the variations in regional budgets, NASC assessments, guidelines, cultural competency and funders to enable equitable access to services and funding.

Additional provider comments

- There is disparity in cultural competency between staff and funders.
- Not all service types are available across all regions, limiting care options.
- Contracted rates need to be consistent. The funding should then be negotiated and allocated on an individual needs basis.
- The level of funding provided is dependent on the NASC assessment. These assessments are inconsistent across regions.

Cost Drivers

Discussion points

How have your cost drivers changed in the last 5 years? What are the main drivers of cost changes from your perspective? Consider operational, staffing, client needs/services, estates and maintenance.

Overarching themes from the engagement sessions

All groups highlighted similar experiences with the current pricing and funding approach. There was consensus that pricing inconsistency and underfunding was a key challenge that needed to be addressed to move towards a more stable, predictable, and consistent pricing model. Providers also highlighted that:

- All Groups: Residential care costs/prices are outpacing funding due to a combination of environmental and situational factors. These increased cost drivers include:
 - Cost of living (e.g. rent).
 - Workforce (e.g. pay equity).
 - Operation and compliance (e.g. health and safety).
 - Individualised care and behavioural support (e.g. need for separate homes).
 - Care support expectations (e.g. from the Government and whānau).
 - Economy (e.g. inflation)
- These cost pressures are further compounded by a funding model that is occupancy based and which do not fully account for fixed costs and vacancies, leading to a gap between price levels and the actual cost of providing residential care for individuals.

Additional provider comments

- There is an increasing need to provide 1:1 support during a resident "crisis period". However, often services are limited during these times, therefore providers end up absorbing the costs.
- Some costs are heavily individualised such as preferences in hobbies and interests.

Funding Consistency

Discussion points

Do you feel that rates are set fairly and consistently? Is pricing transparent or can it be improved? Is a simplified uniform model (that accounts for regional and client variation) desirable?

Overarching themes from the engagement sessions

All groups noted a lack of consistency and fairness in the current funding approach. Providers also highlighted that:

- All Groups: Provider funding is inconsistent across regions, impacting the consistency and quality of support provided for individuals with similar needs. Inconsistent funding means that financial risk is placed on providers, impacting the sustainability of residential care service provision. There is a significant gap between service expectations, NASC assessments, and funding levels.

Additional comments

- There is a need for an objective assessment of the level of need to support a greater consistency of funding.
- Pricing and funding is not consistent for residential care recipients with the same care and support needs.
- The care disabled people receive is contractually defined, which may not reflect their needs and particularly how these needs may change over time.
- There is a misunderstanding that once funding is in place it can be decreased, however this may result in an increase in future funding to meet the expected (and required) level of care.

Funding Relationship

Discussion points

What is the relationship between the provider (you), the needs assessor (NASC), and funder (MSD/DSS) relationship like? Consider commissioning, negotiations, transparency and communication.

Overarching themes from the engagement sessions

Each engagement session focused on different points relating to the challenges faced with funding relationships. Providers also highlighted that:

- **Group 1 and 3 (Medium and Small Providers):** There is a lack of clarity around the relationships (and a lack of 'partnership') between providers, funders and NASCs, with uncertainty about key contacts, decision-makers, and contractual expectations not aligning with the level of flexible care needed for disabled people.
- **Group 2 (Large Providers):** Inconsistent expectations, capability, and NASC pricing undermines the relationship and trust between NASCs and providers.
- **Group 4 (Aged Residential Care Providers):** The relationship between ARC providers and funders is unclear meaning there can be multiple funding streams for individual residents, making it unclear who the primary / responsible funder is.

Additional comments

- Providers have relationships with many different agencies and people meaning there is no clear point of contact for funding decisions or escalation of provider issues. A provider even felt there was a lack of clarity around required payment terms.
- Bureaucracy drives the provider to funder relationship, which results in an overly risk adverse approach.
- Various funding/funder actors have different perspectives.

Other

Discussion points

Are there any other issues/concerns you would like to raise in relation to pricing and funding challenges?

Additional provider comments

- There is a need to make sure that disabled people are not continually marginalised because of national funding pressures.
- Third party expectations do not align with the needs of our residents and limit the individual choice and control available to them, placing them at significant risk of harm.
- A service can quickly become unsustainable and not support the level of care needed for a person if individual needs change or house capacity changes.
- The current funding freeze has created a significant risk of harm to those in care. We are placing those individuals with exceptional needs at risk because of our limited budget.
- Providers are flexible and creative in their provision of care; however, contracts tend to be too rigid to allow for innovation.
- The workforce is such a critical part in being able to deliver care services and needs to be closely monitored and managed to enable the appropriate level of care to be able to be provided.
- Available (interagency) support varies significantly, impacting service delivery and the level of care able to be provided.

Session 2: Prioritisation of Principles

The purpose of this activity was to understand the differing views about what individual providers believe will have the most impact if achieved.

Providers were presented with four core pricing and funding related principles to prioritise based on what is most important to them for the future pricing approach, noting that all are important and required to be considered.

- **Transparency:** Providers understand residential care pricing - what they get paid, why they get paid that amount and how they get paid.
- **Consistent Pricing:** Residential care pricing is consistent across the provider landscape.
- **Funding Consistency:** Residential care funding is consistent between years and funding cycles.
- **Client Flexibility:** Residential care pricing/ funding supports disabled people and their families to choose where and how they receive care.

The majority of providers rated enabling Client Flexibility (10 providers) as the most important principle to move towards a more stable, predictable, and consistent DSS pricing approach.

This was closely followed by Funding Consistency (7 providers rated this as second most important and 6 providers rated it as most important). This reflected the desire of residential care providers to provide a service that meets the needs of the individual in care and have the consistent and sufficient funding to be able to do so.

Several providers felt that transparency is required to understand whether funding is consistent, meaning the two principles (Transparency and Funding Consistency) are interrelated.

Additional principles

Across these engagement sessions, several additional principles were identified by medium and small providers. A common principle was that they required sufficient funding to be sustainable and that they wanted the funding to be provided through reliable and flexible, needs-based assessment.

When added to the rankings above, the majority of participants reflected that these additional principles were 'most important'.

- **Sufficient funding:** Having the necessary financial resources to cover all costs required to effectively and efficiently provide residential care.
Needs Based: Residential care funding varies according to the individual requirements of each person to provide tailored support or services to the level required at that point in time.

Session 3 Short Term Stability

Prioritisation of Key Themes from Provider Challenges

Providers were asked to prioritise which of the key challenges identified in Session 1 (Provider challenges) were most important to address to provide short term stability.

Aged Residential Care providers did not complete this exercise due to time constraints.

From this discussion, each provider group prioritised the following key themes:

Group 1 (Medium Providers): Most people in Group 1 identified **support expectations** as the key challenge.

“Providing whole of life, responsive care does not align with the services specification. Funding needs to be able to be flexed and reevaluated to care for disabled people when their needs change.”

Group 2 (Large Providers): Most people identified **support expectations** and **cost drivers** as the key challenges.

“Conflicting expectations across multiple groups about what is needed does not always work with the group home pricing model, and those expectations may also not be consistent with what providers can [afford] to support.”

“Costs have risen over the last few years due to a combination of increased support expectations, more complex support needs, unclear service and funding expectations, and increasing workforce (leave), housing, health and safety and general compliance requirements.”

Group 3 (Small Providers): Most people identified **cost drivers** as the key challenge.

“Residential care costs have increased faster than funding, driven by a combination of factors including rising rental costs, increased staffing costs (including pay equity), increased operating and compliance costs, and the increased complexity of client need. These cost pressures are further compounded by a funding model that is occupancy based and may not completely account directly for fixed costs / vacancies.”

Across all four engagement sessions it was apparent that **regional consistency** and **funding relationships** were seen to be of lower importance to address to achieve short term stability and as a result should be a later focus for DSS.

Based on the aggregate number of votes across all four engagement sessions, the five key provider challenges have been prioritised from most to least important in achieving short term stability as follows:

1. Support Expectations
2. Cost Drivers
3. Funding Consistency
4. Funding Relationship
5. Regional Consistency