



# Briefing

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<b>Date:</b>	22 February 2024
<b>For:</b>	Hon Penny Simmonds, Minister for Disability Issues
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## Changes to Equipment and Modification Services and flexible funding to manage Whaikaha expenditure

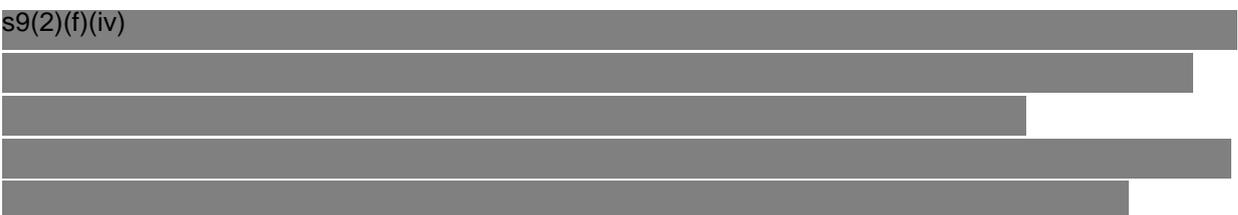
### Purpose

The purpose of this briefing is to inform you that Whaikaha is considering:

- introducing demand management measures for Equipment and Modification Services (EMS) for the 2023/24 financial year, and
- temporarily changing flexible funding options to limit sensitive expenditure while work to review operational policy settings for flexible funding expenditure is done.

### Executive Summary

- 1 This briefing outlines two initiatives that Whaikaha is considering to better manage its projected deficit for 2023/24 expenditure.
- 2 The first initiative would introduce measures to better manage demand for Equipment and Modifications Services (EMS) for the 2023/24 financial year. This initiative is needed to reduce the forecast deficit for Whaikaha as much as possible.
- 3 The second initiative would temporarily change flexible funding options to limit sensitive expenditure in Individualised Funding, Choice in Community Living, Enhanced Individualised Funding, Personal Budgets and Carer Support, while we undertake work on longer-term financial sustainability and service improvement options.

- 4 s9(2)(f)(iv) 

## Recommendations

It is recommended that you:

- |   |              |
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| a) Note the contents of this paper  | <b>Noted</b> |
| b) Note that we can discuss this paper with you at the agency meeting on Tuesday 27 February 2024       | <b>Noted</b> |
| c) Note that, following discussions with you, Whaikaha will take any steps to implement agreed changes. | <b>Noted</b> |

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Hon Penny Simmonds  
Minister for Disability Issues  
Date



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Ben O'Meara  
Deputy Chief Executive  
Policy, Strategy and Partnerships  
22 February 2024

## **Whaikaha is implementing initiatives to address its cost pressures**

- 1 In December 2023, we advised you:
  - 1.1 that Whaikaha is anticipating a deficit in the current financial year (2023/24), and significant cost pressures in 2024/25. [Aide memoire *Notes to support Hon Simmonds to discuss Whaikaha cost pressures with the Minister of Finance* refers, dated 13 December 2023]
  - 1.2 on a range of options that could be developed further to address Whaikaha cost pressures in 2024/25 and outyears (BN REP/WHK/23/12/016 refers).
- 2 On 19 January 2024, we provided further advice on the relative priority of these options, with a primary focus on managing our forecast shortfalls in non-departmental expenditure in the 2024/25 financial year (BN REP/WHK/24/1/003 refers).

## **Managing EMS demand within the budget for 2023/24**

### *EMS Supports*

- 3 Equipment (e.g. wheelchairs, hoists, and bed raisers), vehicle modifications (e.g. hoists, hand controls), and housing modifications (e.g. level access showers, ramps, railings, and door widening) are all classified as EMS.
- 4 EMS assist disabled people to undertake day to day tasks such as activities of daily living, communicating, working or studying, looking after children and other dependent people, and enabling other people to care for them.
- 5 The criteria for accessing EMS are different from those for other Whaikaha services, which are available to people aged under 65 (or who have acquired their disability prior to turning 65) who have a physical, intellectual, or sensory (vision or hearing) disability, or Autism. In addition to providing services to people who meet these criteria, EMS is available for people who have age-related disability, which is a group of people whose disability-related needs are otherwise mostly funded through Te Whatu Ora / Health New Zealand.
- 6 EMS Assessors are allied health or other hearing and vision professionals who work with a person to assess and recommend solutions to meet their disability related needs. The EMS Assessors support the application for Whaikaha funding and/or other funding options.

### *EMS Support allocation*

- 7 The EMS Assessors submit service requests through one of two EMS providers who hold a contract with Whaikaha:
  - 7.1 Accessable (Northland and Auckland)
  - 7.2 Enable New Zealand (all other regions in New Zealand).
- 8 The EMS providers advise EMS Assessors regarding eligibility for services and funding criteria. The criteria are well established and documented in the EMS

Manuals. People must meet defined criteria to access funding. A range of thresholds and income and cash asset testing may apply.

- 9 Both EMS providers have well established procurement processes to ensure commonly recommended equipment is provided in the most cost-effective way and to help manage the cost of high-cost prescribed equipment, such as complex wheelchairs, and solutions that are customised to meet specific needs. The equipment may be provided from existing refurbished stock or purchased new if suitable equipment is not available.

#### *Increased EMS demand and expenditure*

- 10 More disabled people are accessing services. Enable NZ reports a 9% increase in service requests in the calendar year to December 2023. Accessable reports a 15% increase in service demand during this period.
- 11 In this financial year (2023/24), Whaikaha allocated new EMS budgets to Enable New Zealand (\$84.6m) and Accessable (\$44.1m), which allowed for around 10% growth from the 2022/23 expenditure. When the budget came under pressure at the end of 2023, Whaikaha advised our EMS providers that they needed to manage demand within their allocated budget as set out in their contract.
- 12 On 14 February 2024, Accessable advised Whaikaha that additional demand since December 2023 has further increased cost pressures on its expenditure and budget. Enable New Zealand is facing similar demand pressures.

#### **Further prioritisation measures are needed to manage EMS demand and expenditure within the allocated 2023/24 Budget**

- 13 We have considered whether it would be possible to provide further funding in response to the increased EMS demand. However, doing this would increase the risk that Whaikaha will exceed its appropriation in 2023/24, s9(2)(f)(iv)

Whaikaha has reached the view, therefore, that additional EMS demand measures are required.

- 14 These demand management measures, most of which have previously been implemented, are the following:
  - 14.1 Engage further with EMS assessors and Te Whatu Ora allied health leaders to agree on demand management strategies. We have sent an initial communication to EMS services advising of the need to provide services in the most cost-effective way to eligible people.
  - 14.2 Engage directly with our contracted specialist assessment services (TalkLink, Mobility Solutions, Canterbury Wheelchair and Seating Service, and Seating to Go Ltd) to advise them of the need to manage demand within the available resources and identify further demand management strategies.
  - 14.3 Reintroduce a Priority Rating System (P1 for EMS services needed urgently for safety, P2 for all other services) from 1 March 2024. A waitlist of less urgent applications for EMS would be held by the EMS providers and funding released when budget allows for this.

## Comment

- 15 Restricting access to EMS would result in:
- 15.1 waitlists for supports, with flow-on adverse impacts on the lives of disabled people who do not receive the equipment and modifications that they require
  - 15.2 some disabled people requiring increased levels of other disability support services (including support from carers), until equipment/modification solutions are able to be provided
  - 15.3 some flow-on implications for Te Whatu Ora and Child Development Services where, for example, increased waiting times for provision of long term equipment would increase costs for Te Whatu Ora in regions where short-term loan equipment is rented.
- 16 The disabled community is unlikely to support demand management, seeing it as misaligned with our objective of working to remove barriers for disabled people to improve their lives.
- 17 It is therefore important that additional demand management measures are for as short a time as possible. To support this, Whaikaha would:
- 17.1 review the EMS access and eligibility criteria with key partners and stakeholders. This work will inform future EMS funding from 2024-25, and
  - 17.2 prioritise design work to consider the allocation of EMS within the transformed disability support system.

## Changes to Flexible Funding

- 18 Flexible funding supports comprise: Individualised Funding (IF), Personal Budgets, and Carer Support. Flexible funding, particularly IF, is one of the fastest growing areas of Whaikaha expenditure, with expenditure more than doubling (from \$230 million to \$520 million) between 2019/20 to 2023/24. In that time, the number of people with these supports has increased from just over 20,000 to almost 34,000.
- 19 Average expenditure has increased by 33% (15% above the rate of inflation). While there is growth across the board, the most significant growth currently is in IF allocated for personal care and for respite care.

This increase in expenditure:

- 19.1 Arises from an increase in allocations, probably due to a funding allocation system used by NASCs that is not well suited to allocating support flexibly
- 19.2 exacerbates concerns that a lack of suitable controls when flexibility is used outside the EGL initiatives<sup>1</sup> is increasing the risk that funding is spent on goods and services that are not disability supports. This increases costs and undermines confidence in the use of funding flexibility (a central component of system transformation).

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<sup>1</sup> REP/WHK/23/12/019 discusses the differences between Personal Budgets and Individualised Funding.

- 20 Whaikaha therefore needs to address design issues in the use of flexible funding. This work includes:
- 20.1 Developing and implementing clearer guidance on allocations to ensure that allocations are proportionate, reviewable, consistent and disability related.
  - 20.2 Introducing an allocation line for one-off purchases, so that budgets for items that should have ongoing value are not included in ongoing allocations.
  - 20.3 Undertaking risk segmentation and developing a strategy to both maximise compliance with IF rules and to make it easy to be within the rules.
  - 20.4 Realigning the purposes of flexible funding by, for example, creating a clearer distinction between:
    - i. support for families and carers intended to create an ordinary and sustainable pace and rhythm to life, and
    - ii. support to take a break where achieving a sustainable pace is not currently or consistently achievable.

**Whaikaha needs to temporarily limit some of the flexibility available through flexible funding while we work through the issues noted above**

- 21 The uses of flexible funding that Whaikaha would pause are for:
- 21.1 Overseas travel, accommodation and other costs generally understood to be sensitive expenditure in most contexts.
  - 21.2 Self-care services such as massages, hairdressers, pedicures and other appearance or therapeutic services that some carers have accessed as part of Carer Support or IF respite.
  - 21.3 The cost of activities or items that, whilst they might be beneficial to family carers, do not obviously address how the care responsibilities of the family member limit their opportunities to otherwise participate in that activity.
  - 21.4 The purchase of items such as consumer electronics, sporting or recreation goods. These purchases may reduce the need for carers to take a break but may also be difficult to distinguish from items which families might otherwise provide for.
  - 21.5 The ability to pay for items or services that might otherwise be available through other funding streams or agencies, where what other agencies offer is nevertheless not suitable for the person or available in a timely way.

22 s9(2)(h)

[Redacted text]

23 Cabinet set parameters for the use of EGL Personal Budgets in 2018, as part of the establishment of the MidCentral Prototype (Mana Whaikaha) (SWC-18-MIN-0108). s9(2)(f)(iv)

[Redacted text]

- 24 As part of the work to manage EMS demand, we would also require Individualised Funding Hosts to monitor any requests for equipment or housing modifications and to decline funding if the request is within the scope of EMS funding from 1 March 2024.

## **Implications of this proposal**

### ***People***

- 25 These measures would affect in some way up to around 34,000 people to whom Whaikaha provides disability support services.
- 26 Under flexibility, families who have struggled to obtain respite have been able to use flexibility to do some things to invest in their wellbeing and sustain them in the contribution they make to the lives of their disabled family members. The Autism community were heavy early adopters of flexibility when it was first introduced, reflecting that many Whaikaha funded services have not been re-developed to be appropriate to those with Autism.
- 27 We know Māori and Pacific engagement has increased with flexibility, particularly through Personal Budgets.
- 28 As a result, we expect these measures would impact most on the families of those with the most complex needs, the Autism community, and potentially Māori and Pasifika.

### ***Equity across the cross-government disability support system***

- 29 Te Whatu Ora has introduced flexibility to Carer Support for older people living in the community and has applied the Whaikaha Purchasing Guidelines to Carer Support. There is likely to be considerable pressure from people accessing Carer Support to retain the flexibility already in place.
- 30 The Te Whatu Ora team would be responsible for ensuring that Carer Support claiming is within the proposed changes to Whaikaha-funded Carer Support.

### ***Impact on financial position***

- 31 It is difficult to quantify the savings from the proposed changes. The largest IF Host has advised Whaikaha that approximately 80 per cent of Individualised Funding is used on support workers. The estimated current year spend on flexible funding is \$520 million, so about \$104 million of that is likely to be spent using the flexible purchasing guidelines.
- 32 If these changes were implemented from 1 March 2024, they would impact the last four months of the year (so around <sup>s9(2)(f)</sup><sub>(iv)</sub> million of the estimated <sup>s9(2)(f)</sup><sub>(iv)</sub> million of flexible expenditure). If changes to the guidelines reduced this expenditure by 50 per cent, then potential savings would be as high as <sup>s9(2)</sup><sub>(iv)</sub> million for the year. People may, however, choose to use their allocations in other ways, such as fully utilising their allocation by engaging support workers.
- 33 Whilst the measures related to flexible funding may have a positive effect on our financial position, the principal concern is to maintain confidence that disability support funding is being used for the purposes it was appropriated for.

s9(2)(g)(i)

- █ [Redacted]
- █ [Redacted]

**Risks of doing nothing**

36 Not taking action, however, risks a loss of confidence in the flexible funding system, such that even greater restrictions on flexibility are required. The impact of this risk would be significant, and the probability increases the longer Whaikaha takes to introduce any mitigations.

**Next steps**

37 We are keen to confirm with you whether Whaikaha should implement the initiative to manage access to EMS in the 2023/24 financial year. Further work is required with disabled people’s representatives and providers regarding any proposed changes to the EMS criteria to manage access to the services in the medium term. s9(2)(f)(iv)

38 If we agree to proceed following a discussion with you, we will prepare the relevant operational policy, contract, and/or guidance changes, and commence communications to support the changes.

39 Implementing the flexible funding changes will require us to balance:  
39.1 giving fair notice to people so that they do not incur expenditure that will no longer be covered in the expectation of being able to claim it back; with  
39.2 moving quickly, as an extended notice period increases the risk of increased expenditure prior to the changes being implemented.

40 Whaikaha can discuss these proposals with you at the official’s meeting on Tuesday 27 February 2024.

**End**

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