PRESS RELEASE
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New Zealand Aged Care Association

Cost pressures biting hard for rest home sector

The New Zealand Aged Care Association (NZACA) says cost pressures driven by DHB and Government decisions are biting hard for its rest home members and it cannot continue to absorb the spiralling costs of caring for New Zealand's ageing population. This comes at a time when Colmar Brunton research says Kiwis rank the care of our older population in their top 10 issues.

NZACA Chief Executive Simon Wallace says the sector is under pressure from a range of rising costs, which were calculated and agreed by a combined panel of rest home operators, the Ministry of Health and District Health Boards as part of the annual Age-Related Residential Care Services Agreement (ARRC) negotiations.

"For the first time ever in annual funding negotiations we sat down with the Ministry and DHBs and modelled and agreed on all of the costs facing rest homes. This work has shown that current funding shortfalls are creating an unsustainable sector. Without a significant funding increase the sector will struggle to deliver the quality of care New Zealanders expect for their ageing population."

Although there are some large businesses providing aged residential care, over 50% of rest homes in New Zealand are owner operator businesses and small business owners have no margin to absorb additional costs.

Mr Wallace says the most significant cost pressure is personnel, which accounts for up to 60% of a rest home's expenses and is rising dramatically due to Government pay settlements and statutory minimum wage increases.

Providers are under ongoing pressure to pay their registered nurses more to avoid further losses of staff to public hospitals in the wake of the DHB Nurses Multi Employer Collective Agreement (MECA) last year. DHB annual funding increases to rest homes is consistently below the level they have increased pay for hospital nurses, resulting in an ever-widening pay gap. DHBs then use that pay gap to actively recruit nurses from rest homes.

The Government's statutory minimum wage increase also required providers to pay non-carer service staff such as kitchen-hands, cleaners and laundry workers $1.25 per hour more, but rest homes have not been funded for this.

On top of the minimum wage increase, providers are under pressure to match the large increase DHB service workers (cleaners, laundry workers and kitchen assistants) received under their MECA last year. Then, there is the ongoing impact of the caregiver pay equity legislation requiring providers to match pay to qualifications - caregivers have been achieving higher qualifications than were allowed for in last year's fee increases.

"The specific DHB and Government driven costs are exacerbated by the general inflationary pressures on aged care with the cost of compliance creep, like new Food Safety costs and overall inflationary pressures measured by the Aged Care Price Index (ACPI) which is tracking above the Consumer Price index.

"The reality is that if the industry was operating fully in the private sphere, providers could pass these increased costs onto their customers. But we cannot do that as we receive capped funding from government and are restricted under our contract as to what we can charge our residents."

Mr Wallace says we also have a situation where GPs are not passing on savings to Community Service Card (CSC) holders living in our rest homes – these reductions were introduced as a result of the Government's primary care initiatives in December 2018.

"We cannot continue to absorb these rising costs. Already this year we've seen closures or the announced closure of rest homes in Wellington, Christchurch and Invercargill. And we will see more unless the funding reflects the cost pressures."

Mr Wallace says the NZACA is calling on the DHBs to fully cover the substantial cost increases which have been directly caused by DHB and Government decisions and the impact of compliance and inflation on the sector.

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