

**MEDIA RELEASE**

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## **Aged Residential Care Funding Model Review a ‘reallocation exercise’**

The New Zealand Aged Care Association (NZACA) has welcomed the work on a report recommending changes to the way the sector is funded, but additional investment must follow if there is to be a sustainable future for the care of older New Zealanders.

The Ministry of Health (MOH) and the District Health Boards (DHBs) today released a report on the Aged Residential Care (ARC) Funding Model Review carried out over the last 18 months by advisory firm Ernst & Young. The NZACA and its members provided input into the review.

Simon Wallace, Chief Executive of the NZACA says the report is a critical piece of work for New Zealand with an ageing population, people living longer and entering care at a later age generally frailer and sicker.

“The report acknowledges the increased acuity of our residents often with a range of serious health conditions requiring specialised care. With the number of people living over 85 expected to triple by 2043, this trend is going to continue.

“We welcome some of the report’s recommendations, but in not recognising that the increased acuity of residents requires a quantum increase of funding, it can only be viewed as a shuffling of deck chairs on the Titanic.”

Mr Wallace says the sector supports the recommendation for New Zealand to adopt a standardised ‘case-mix’ tool for assessing eligibility for care to better reflect an individual resident’s needs to access the care they are entitled to.

“This focus on case-mix directly picks up on our [Caring for Older Kiwis](#) research last year showing the regional disparities in how DHBs are assessing eligibility for care, meaning some older people are not getting access to the care they need because of their post code.

“As such we support a standardised national tool for access to care irrespective of where someone lives. But the risk of higher administrative costs and additional compliance for providers would need to be balanced against benefits to residents.”

The sector welcomes a rurality adjustor, recognising the financial sustainability challenges faced by aged care facilities in more rural and remote areas. In many cases, such facilities also provide jobs in

communities where they might otherwise not exist. The sector also supports a turnover payment, reflecting the time and cost involved in the increasing number of short stay and respite residents.

“However, the report is silent on the insufficient level of funding provided by the current daily fee to support investment in new aged residential care facilities. More than half of current facilities are over 30 years old and will need upgrading for the growing number of older New Zealanders requiring care.

“This is a major issue for Government. Providers are only able to invest in new facilities through offering premium charges for rooms superior to the 11 square metre room with shared facilities they are funded to provide.”

Mr Wallace says it is disappointing to see the report also failing to address other key issues for the sector including workforce and immigration.

“We are facing a looming shortage of caregivers due to immigration policies that will see a whole cohort of valued migrant caregivers sent home next year. Employers invest heavily in training and supporting these valued staff who are critical to filling the gap in New Zealand’s caregiver workforce.

“Likewise, there is no mention of the unacceptable pay funding disparity between registered nurses working in aged care and their counterparts in public hospitals. On average aged care nurses are paid around \$10,000 a year less than their DHB colleagues.”

Mr Wallace says the aged residential care sector needs to be recognised as a mainstream function of the health system working as partners with DHBs.

“We are providing a moat that protects public hospitals from being flooded with high-needs aged care residents. Take away even half of the 39,000 beds in aged residential care facilities across New Zealand and our already overcrowded public hospitals would not cope.

“Working as partners with DHBs, we can manage entries to public hospitals and provide real cost efficiencies for taxpayers when you look at the fact that the average cost of a bed in a hospital is \$600 a day compared to around \$200 for a rest home. This is not canvassed in the report.

“So, while there are some welcome elements of the report by not recognising that the increased acuity of residents requires an investment in the quantum of funding, this review can only be seen as a reallocation exercise.”

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