



**Home & Community Health**  
Association



## Economic instability in the home support sector

**Cause, effect, solution, need, value**

**April 2016**

This paper outlines the causes and effects of current economic instability of home and community support services provision in New Zealand. The service is critically challenged in terms of financial viability and workforce retention, and urgent attention is needed to ensure that the sector can continue to provide services, and to grow those services to meet increasing demand. Solutions are available.

## Solution: Strategic responses

- The key stressors on our sector are the lack of connection between client need and funding, inability for providers to meet regulatory cost increases, and inconsistency between funders for the same service. These inhibit a focus on outcomes, result in variable access to and quality of services, and are crippling businesses. Fortunately there are solutions available.
- The bulk funded case mix model and contracts have matured over several years and can now more reliably be used to inform resourcing requirements, to share risk and benefits between providers and funder, to be more flexible for each client and to address specific population health issues.
- A well-functioning bulk funded case mix model will reduce needs assessment costs, reduce overall hours of service, reduce residential care use and hospital admissions. It will allow for planning over several years and help to mitigate fluctuations in services. It does require more sophisticated financial analysis and positive working relationships between all parties. It takes time to bed in before the benefits are realised. For clients it allows a closer focus on their specific needs, and more of a team approach to those with chronic conditions.
- More consistent inter-regional models will generate more consistency of service for clients, and enable national quality and outcome comparisons. The variation in funding model types in NZ does not currently enable that.
- HCHA and key providers have also developed a consistent funding framework that matches client need to support costs, workforce training and other elements of service delivery, and which is sustainable. It uses case mix data, as well as service and workforce data. The framework allows for underlying level of consistency of funding across New Zealand whilst also enabling local innovation. It can be used to test wage uplifts, training and other inputs, as well as increases in complexity and volume. It can show a stepped timeframe approach, and national as well as funder specific impacts. It can be applied to a range of service models.
- The framework is consistent with the recommendations of the Director-General's Reference Group, and would align well with any potential funding outcome of the pay equity negotiations. It would complement the revised Health Strategy and the draft principles of the Health of Older Persons Strategy.

- *Strategic response bulk funded model.*
- *Strategic response funding framework.*
- *Applicable to all current service models*
- *Complementary to Health Strategies*
- *Can be used to address pay equity issues and sustainability issues*

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## Bad gears + more passengers = wobbly wheels

The cumulative impact of poor gearing along with increased volume has generated structural instability in the home support industry:

- Pricing for the same service varies for the same service between 22 funders (currently 33% difference between the highest and lowest price);
- Despite the use of a common assessment clients with similar needs receive different allocations of support regionally, for no sound reason. Where resource does not match need, there is more incentive to focus on viability than on client outcomes;
- Under the 'fee for service' model providers are only paid for each hour of service actually delivered. Any efficiency gains in reduced client hours delivered flow to the funder and cannot be utilised by providers to mitigate these cost pressures.
- Changes to employment legislation apply practices to a sector where employers would be willing participants but funders are not. Contracting mechanisms drive workforce inefficiency and casualization, over-assessment, and inflexibility in client support. Employers cannot sustain a skills margin, which reduces the level of training.
- Over the last 7 years the majority of funders have not kept prices in line with the minimum wage increases. This has eroded over 7 million per year from the sector; the 2016 increase will add an average 2.5% to provider expenditure.
- The potential recruitment pool is limited to those who accept non-guaranteed casual work on the minimum wage, rather than those who are looking for a career pathway. Staff turnover is between 25%-30%. 30% of workers have literacy challenges. There is workforce shortage across New Zealand, severe in some regions.
- Many organisations face material financial instability, operating at or very close to loss (within 1-2%), with some now in multiple years of loss (Deloitte 2015<sup>1</sup>). Employers are delaying necessary overhead costs to a point that is not sustainable (Deloitte).

- *33% variation in pricing for same service*
- *Variation in needs allocation for those with similar needs for no reason.*
- *Poor funding model does not incentivize outcomes focus*
- *Poor employment levers*
- *Underfunding of basic increases.*
- *Limited recruitment pool*
- *Financial instability*

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<sup>1</sup> Financial Review & Risk Analysis of the Home & Community Support Sector, Deloitte, March 2015

## Focus on need

- Home support client profiles have changed substantially over the last eight years, with increasing use of the service and prioritisation of eligibility and allocation to those with higher needs. Support worker tasks have changed from more domestic assistance for those who were generally more mobile, to personal care, medication assistance, for people who are quite unwell frail or recovering from or living with injury. For example, we know from the newly published InterRAI data<sup>2</sup> on older clients receiving homecare assessments that:
  - 41% are aged over 85 (cf 54% in aged residential care.)
  - 58% are living with two or more chronic diseases, and 20-25% have moderate or severe cognitive impairment.
  - 56% are at high or very risk of hospital or residential care services in the next 90 days; carer stress is also high.
  - A higher proportion of people at home score moderate to high health instability compared to aged residential care residents.
- More people are also living independently with support following a serious injury.
- This data reinforces what employers know, and what is acknowledged by funders in all but funding, that support workers are supporting people who are often at risk of hospital or residential admission.
- It also shows that we need employees who are incentivised to work more hours and develop their skills and knowledge. Level 3 qualification completions have risen from 400 in 2004-2010 to 3,767 in 2009-2015)<sup>3</sup>. There remain many untrained or undertrained workers. The 2015 MoH HCSS workforce survey indicates that 33% of support workers have a Level 2 qualification and a further 24% have a level 3 qualification. 37% are not qualified<sup>4</sup> and the high turnover generates unnecessary levels of training activity. Careerforce provided a temporary financial incentive for a period, but that has stopped.
- Client acuity has been recognised in a few contracts, through requirements for minimum levels of training at Levels 2, 3, and 4, and supervisory and assessment requirements. The qualifications used in the sector have been amended to shift from domestic service focus to modules promoting independence, medication assistance, awareness of chronic conditions, and safe moving and handling.

<sup>2</sup> InterRAI NZ National InterRAI Data Analysis Annual Report 2014/15 (April 2016)

<sup>3</sup> Careerforce ITO, 2016

<sup>4</sup> MoH 2015 Home and Community Support Services Workforce Survey information

- *Allocation of services has shifted towards clients with higher needs*
- *We need employees who want to stay longer, work more and learn more*

## Economic and social value of the service

- Most people who need support prefer to live independently at home for as long as possible. Approx 110,000 people are provided with publicly funded home support. This includes people living with chronic medical conditions and disabilities such as spinal or brain injury, age related physical or cognitive decline, dementia and intellectual and physical disabilities.
- There are over two and half times more older people living at home with support (75,000) compared to as those living in subsidised aged residential care (31,000). (MoH data)
- The average cost to the government of funding home support for older people is estimated at \$4,095 per person per annum (expenditure/hours). This compares to the average cost of public support for a person in an aged residential care facility (\$36,387), nine times that cost. Taking the lowest rest home rate which averages \$18,200 cost to government per year, this is still 4½ times more than the average cost of home care per person.<sup>5</sup> This is offset to some degree by other health costs for people living at home, but is also balanced by other economic and social benefits.
- The use of home care over the past eight years has been a key factor in reducing the anticipated increase in numbers of people using subsidised rest home care. Where a coordinated community approach is adopted, numbers of avoidable acute admissions, bed days and residential care use have been reduced.<sup>6</sup>
- Supporting people to remain well at home for longer with the support of trained Kaiāwhina (support workers) enables health professionals to work more productively.
- Providers undertake a range of contracted services including personal care and household management, community and district nursing, long term serious injury support, in home respite care, day programmes, post-acute event support, telehealth services, mental health community support, at home rehabilitation, community connections, child care and in home palliative care. Providers also act as hosts for clients with an individualised funding contract, and some providers also provide services across the broad range of community services including housing, primary health and pharmacy.

<sup>5</sup> MoH figures 2015, DGRG Report 2015. Also 14,969 disabled people receiving some form of HCSS, avg cost \$7,556, and \$14,643 pp individualised funding

<sup>6</sup> Supporting older people in Canterbury - what's ahead? Canterbury DHB 24.9.2015

- *People want to live at home for longer*
- *Home care supports almost two and a half times the number of older people in residential care.*
- *Use of home based care reduces reliance on aged residential beds*
- *Targeted used of home based care reduces reliance on a range of services*