

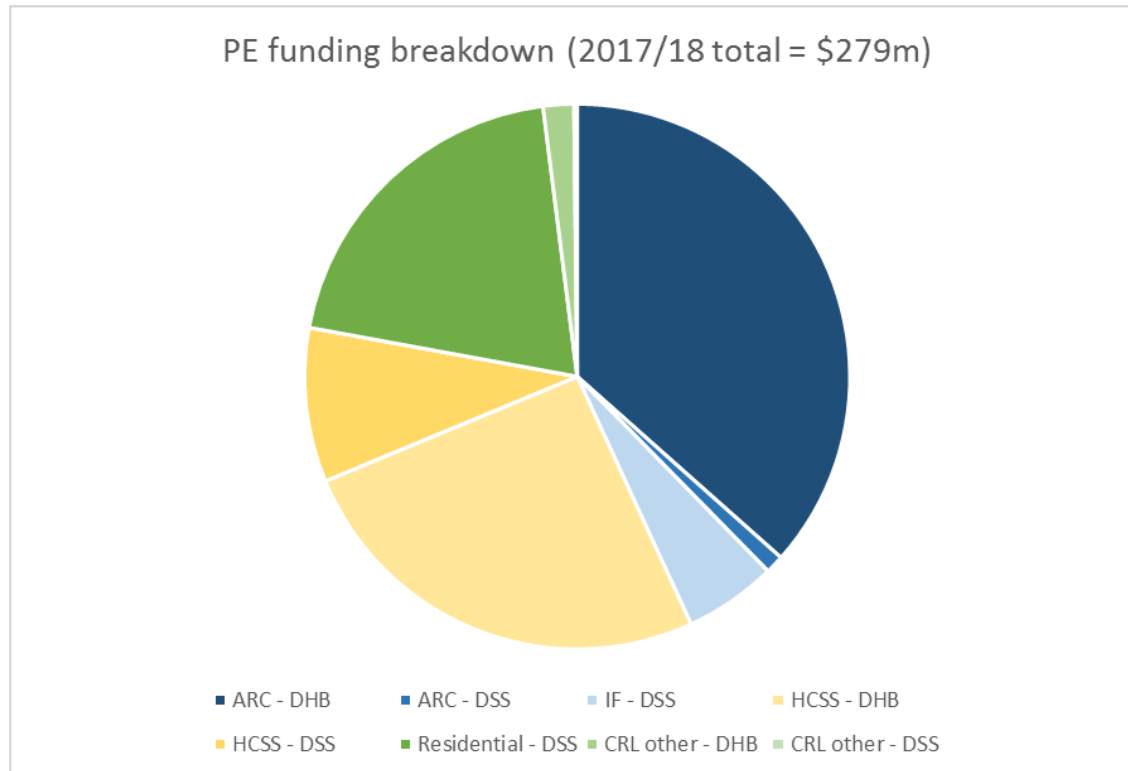
Ministry of Health Presentation to Homespace Forum

5 July 2018

What the presentation will cover:

1. 17/18 - what has happened with PE and IBT
2. 18/19 - what are the arrangements?
3. 19/20 - where are we heading?
4. What are we doing over 18/19 to get to 19/20?

1. Context - How is the total Pay Equity pot (approximately) split



Key: Meaning of colours

| | |
|-----------|---|
| 1. Blue | In contracts from 17/18 - new prices for 18/19 |
| 2. Yellow | HCSS - Temporary solution for 18/19 |
| 3. Green | Substantive proposal to move into contracts 18/19 |

1. HCSS – what has happened in 17/18

Pay Equity

- Workers being paid on new rates from 1 July 2017
- Funding given to providers via the manual data collection process (DCT) each quarter

IBT Part A

- Paid via the claims portal

IBT Part B

- Top up funding quarterly payments to providers
- Cancelled hours and on-going reduction of hours paid by the IBT portal
- No disadvantage annual claims process

2. HCSS – what is happening for 18/19

Pay Equity

- Paid via the ‘bespoke’ method – see next slide for how this works

IBT Part A

- Paid via the claims portal

IBT Part B

- Top up funding quarterly payments to providers
- Cancelled hours and on-going reduction of hours paid by the IBT portal
- No disadvantage claims process possibly quarterly – to be confirmed

2. Bespoke PE into contracts

How it would work

A Pay Equity contract offer would be generated for each contract in the bespoke method.

This table presents how this would be generated.

- In this example a price of \$5.79 is currently being paid via the data collection process for 17/18.
- We then assume that employees stay employed or are replaced with a similar level person.
- Staff for 18/19 are then paid on the 18/19 pay bands.
- We then assume that there is some growth in staff qualification and length of services (this growth is individual to provider situation to reflect the different 'headroom' that each provider has to grow ie: if all staff were on L4 then the provider is at the maximum vs a provider with all staff on L0 has a lot more 'headroom').
- This then gets you to a contract offer of \$7.18 for pay equity in that example below.

DRAFT example

| | Old wage | New wage | New wage |
|---|----------|-------------|-------------|
| | 16/17 | 17/18 | 18/19 |
| Wage (Example is L3 worker) | 16 | 21 | 22.5 |
| Assumed wage | | 16.35 | 16.75 |
| Difference | | 4.65 | 5.75 |
| On costs | | 1.14 | 1.38 |
| PE funding | | 5.79 | 7.13 |
| | | | |
| Growth assumption for LoS | | | X |
| Growth assumption for higher Quals | | | Y |
| | | | |
| Contract offer for 18/19 for this contract | | | 7.18 |

The pay equity dollar amount would be a separate line pay schedule, on top of the base rates.

Note: block contracts will require a different approach – this is still to be considered.

3. HCSS – where are we heading for 19/20

Pay Equity

- Pay equity values embedded in contract prices

IBT Part A and B

- All IBT payments bundled up and embedded in contract prices – depended on Funders & Providers
- Future models of care – indications of different / preferred models

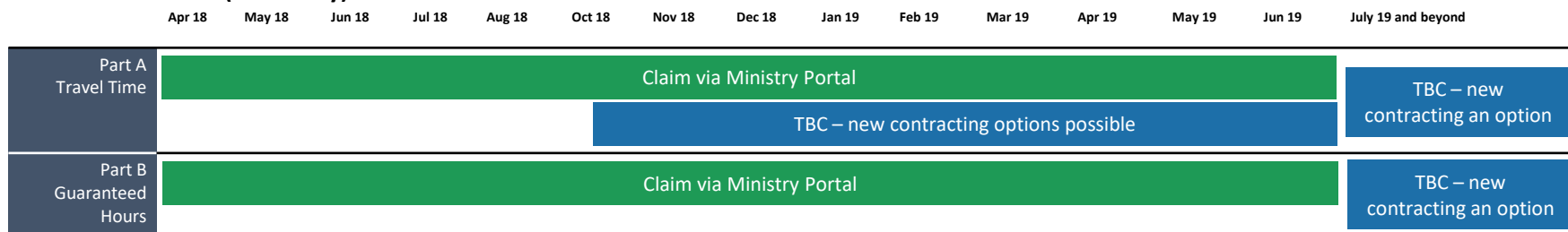
3. Proposed timelines

Funding Timeline – Funder to Provider

Pay Equity



In-Between Travel (HCSS only)

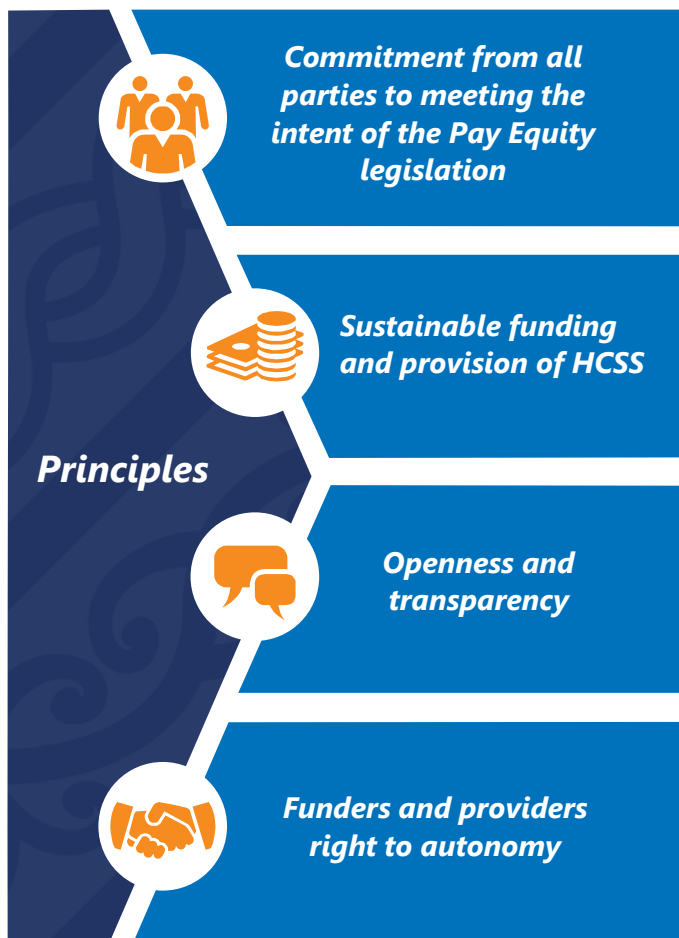


4. HCSS – How will we get to 19/20?

- Joint DHB, Provider & MoH HCSS Working Group consider options
- See principles for PE into contracts that the working group developed.

Principles

Supporting implementation of Pay Equity in HCSS



Pay Equity funding will be used by the MoH, DHBs and Providers in accordance with Pay Equity legislative requirements. Including:

- MoH to DHBs
- DHBs to Providers
- Providers to workers

We will develop methodologies that:

- Mitigate risks to funders and providers of HCSS
- Get the best match between Pay Equity funding and Pay Equity expenditure
- Aim for consistency across the HCSS sector and other funding streams
- Operationally efficient for funders and providers with a low transaction cost
- Allow funders and providers time to adjust for mismatch or cash flow impacts

- We will share information, data and analysis in a collaborative manner, whilst respecting commercial sensitivity
- No surprises – honest conversations about what can be achieved within the delegations of the Joint Working Group

Funder and providers reserve the right to continue to negotiate service and funding arrangements, as long as these are consistent with Pay Equity Legislation principles