

In confidence

Office of the Minister for Social Development
Office of the Minister of Health

Chair
Cabinet Legislation Committee

ADJUSTMENT TO THE RESIDENTIAL CARE SUBSIDY AS PART OF THE ANNUAL GENERAL ADJUSTMENT 2020

Proposal

- 1 It is proposed that the Cabinet Legislation Committee authorise the submission of the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2020 'the Amendment Regulations' to the Executive Council.
- 2 The adjustments made by the Amendment Regulations constitute a routine process that occurs on an annual basis with any changes taking effect from 1 July.
- 3 The Amendment Regulations are required to:
 - increase the asset thresholds used to determine financial eligibility for a Residential Care Subsidy by 2.53 percent from 1 July 2020, in line with the increase in the All Groups Consumers Price Index for the year ending 31 March 2020
 - increase the yearly income-from-assets exemptions used to assess a person's contribution to their residential care by 2.25 percent from 1 July 2020, in line with the All Groups (excluding cigarettes and other tobacco products) Consumers Price Index for the year ending 31 March 2020.

Background

- 4 The Residential Care Subsidy (RCS) provides financial assistance towards the cost of long-term residential care in a hospital or rest home.
- 5 To be eligible a person must first undergo an assets assessment. If their assets are above the relevant threshold, they pay the maximum contribution rate which is set equal to the contracted cost of rest home level care. If their assets are at, or below, the relevant threshold, they are financially eligible for the subsidy.
- 6 A person's income is then assessed to determine the contribution they must make towards the cost of their care. The amount of subsidy is the difference between the cost of contracted care services and the amount a person is required to contribute.
- 7 Currently there are around 18,300 people receiving RCS.

Residential Care Subsidy asset thresholds

- 8 Prior to 2012 asset thresholds were increased yearly at flat rate of \$10,000. In 2012 the flat increases of \$10,000 were changed to a yearly increase of asset thresholds based on increases to the Consumers Price Index [Annex to CAB Min (12) 13/3(15) Initiative no: 7532 refers].
- 9 The asset thresholds are now required by law to be adjusted annually on 1 July by the percentage increase in the Consumers Price Index for the year ending 31 March as set out in section 75(1) of the Residential Care and Disability Support Services Act 2018 (the Act).
- 10 The Amendment Regulations are required to increase the asset thresholds in line with the 2.53 percent increase in the All Groups Consumers Price Index for the year ending 31 March 2020.
- 11 The Amendment Regulations will make the following changes to asset thresholds:

Circumstance	Asset threshold from...	
	1 July 2019	1 July 2020
Single person	\$230,495	\$236,336
Both partners in a couple are in residential care	\$230,495	\$236,336
One partner in a couple is in residential care	House and car not exempt	\$230,495
	House and car exempt	\$126,224
		\$129,423

- 12 The adjustments in paragraph 11 are, in accordance with section 75(4)(b) of the Act, based on the previously unrounded amounts of the adjustments made in July 2019 and are rounded up to whole dollar amounts as required by section 75(4)(a) of the Act.

Income-from-assets exemptions

- 13 When a person's income is assessed, a portion of any income they receive from their assets is exempt from their income assessment. This amount is referred to as the "income-from-assets exemption".
- 14 Every year, the income-from-assets exemptions are required by law to be adjusted annually on 1 July by the percentage increase in the Consumers Price Index for the year ending 31 March as required by section 75(2) of the Act. As set out in section 75(3)(b) of the Act, the Consumers Price Index adjustments for the income-from-assets exemptions exclude increases in the tobacco excise until 2021.
- 15 The Amendment Regulations are required to increase the income-from-assets exemptions in line with the 2.25 percent increase in the All Groups Consumers Price Index (excluding cigarettes and other tobacco products) for the year ending 31 March 2020.

- 16 The Amendment Regulations make the following changes to the income-from-assets exemptions per year:

Circumstance	Income-from-assets exemption from...	
	1 July 2019	1 July 2020
Single person	\$1,005	\$1,027
Both partners in a couple are in residential care	\$2,009	\$2,054
One partner in a couple is in residential care	\$3,013	\$3,081

- 17 The adjustments in paragraph 16 are, in accordance with section 75(4)(b) of the Act, based on the previously unrounded amounts of the adjustments made in July 2019 and are rounded up to whole dollar amounts as required by section 75(4)(a).

The allowable gifting amount

- 18 A person can gift up to \$6,500 a year within the five year period leading up to their application for the RCS without it affecting their asset assessment. This is referred to as “allowable gifting”. Allowable gifting includes a maximum amount of \$32,500 to be gifted, within the five year period, to a person who has provided the applicant with a high level of care. The level of care must be determined to meet certain criteria.
- 19 In 2004, Cabinet directed that the allowable gifting amount be adjusted by \$500 increments when the cumulative change in the Consumers Price Index over several years results in an increase of \$500 or more [CAB Min (04) 30/08 refers].
- 20 The allowable gifting levels were last changed in 2018. Since 2018 the cumulative change in the Consumers Price Index would result in an increase of \$263.88. This means that no adjustment is recommended to the allowable gifting amount from 1 July 2020.

Consultation

- 21 District Health Boards (DHBs) provide and fund the RCS. The Ministry of Social Development administers the financial means assessment. This paper was developed jointly by the Ministries of Health and Social Development. The Treasury was consulted. The Department of Prime Minister and Cabinet has been informed.

Financial implications

- 22 Increasing the asset thresholds and income-from-assets exemptions will increase the cost of the RCS by around \$5 million a year out of DHB forecast expenditure of \$1.245 billion on aged residential care. This cost will be met by DHBs from funding for health and disability support services in 2020/21 and no annual specific changes to appropriations will be made for the increase in the thresholds.
- 23 DHBs budget for the yearly increases to the cost of the RCS as a result of the Annual General Adjustment. Therefore, DHBs can accommodate the increases.

Timing and the 28-day rule

- 24 The Amendment Regulations will come into force on 1 July 2020, in compliance with the 28-day rule.

Compliance

- 25 The Amendment Regulations comply, where relevant, with:
- the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
 - the principles and guidelines set out in the Privacy Act 1993
 - the principles of the Treaty of Waitangi
 - relevant international standards and obligations; and
 - *LAC Guidelines: Guidelines on Process and Content of Legislation*, a publication by the Legislation Advisory Committee.

Regulations Review Committee

- 26 There are no grounds for the Regulations Review Committee to draw the Amendment Regulations to the attention of the House under Standing Orders 315.

Certification by Parliamentary Counsel Office

- 27 The Parliamentary Counsel Office has certified that the Amendment Regulations are in order for submission to the Executive Council.

Regulatory impact analysis

- 28 A regulatory impact analysis is not required as the Amendment Regulations are of a minor nature and do not substantially alter existing arrangements. The Amendment Regulations do not entail compliance costs for the aged residential care sector.

Publicity

- 29 The new income-from-assets exemptions will be published in the *New Zealand Gazette*. DHBs are required to notify residents of any changes to the asset thresholds and allowable gifting amounts. The changes to the asset thresholds and income-from-assets exemptions will be set out in public brochures updated on 1 July 2020. Copies of the Amendment Regulations can be accessed through the website www.legislation.govt.nz.

Proactive Release

- 30 This paper will be proactively released in full (as required by CO (18) 4).

Recommendations

31 It is recommended that the Committee:

- 1 **note** that sections 75(1) and 75(2) of the Residential Care and Disability Support Services Act 2018 require the asset thresholds and the income-from-assets exemptions to be increased on 1 July every year in line with “upwards movement (if any) in the index number of the Consumers Price Index (All Groups) published by Statistics New Zealand for the year ending on the previous 31 March.”
- 2 **note** that the Consumers Price Index adjustments for the income-from-assets exemptions exclude increases in the tobacco excise until 2021, as set out in section 75(3) of the Residential Care and Disability Support Services Act 2018
- 3 **note** that the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2020 will increase:
 - 3.1 the asset thresholds used to determine financial eligibility in line with the 2.53 percent increase in the All Groups Consumers Price Index for the year ending 31 March 2020
 - 3.2 the maximum income-from-assets exemptions per year in line with the 2.25 percent increase in the All Groups (excluding cigarettes and other tobacco products) Consumers Price Index for the year ending 31 March 2020
- 4 **note** that in 2004 Cabinet agreed that the allowable gifting amounts prescribed in the residential care regulations should be reviewed annually for adjustment in line with the Consumers Price Index and that such adjustments should be in \$500 increments [CAB Min (04) 30/08 refers]
- 5 **note** that the allowable gifting amount was adjusted in 2018 and no adjustment is recommended to the allowable gifting amount from 1 July 2020
- 6 **note** that the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2020 will increase the cost of the Residential Care Subsidy by around \$5 million a year
- 7 **authorise** the submission to the Executive Council of the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2020
- 8 **note** that the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2020 will come into force on 1 July 2020.

Hon Carmel Sepuloni
Minister for Social Development

Hon Dr David Clark
Minister of Health

Authorised for lodgement