Budget Sensitive

Office of the Minister for Disability Issues and Social Development and Employment

Cabinet Social Outcomes Committee

Stabilising Disability Support Services-funded residential care

Proposal

1. This paper seeks agreement to the implementation of a new pricing model for residential care services funded by the Ministry of Social Development's Disability Support Services (DSS). In addition, approval of a related fiscally-neutral transfer of funds within Vote Social Development is sought.

Relation to government priorities

2. Relevant priorities are better public services, fiscal responsibility, and ensuring fairer, consistent, and more sustainable access to services for people with the greatest need.

Executive Summary

3. Actions to stabilise DSS have been underway since Cabinet's endorsement in August 2024 of the Independent Review into DSS (Independent Review). These actions have a short-term focus to stabilise DSS, restore confidence and financial management, and lay the ground work for more future-focused strengthening action. The Independent Review recommended that funding for residential care be frozen pending a rapid review of pricing and contracting (rapid review).

4. DSS is an essential service that supports over 50,000 people to address the barriers they face in accessing opportunities for a good life, 100,000 people who receive equipment and modification services to help with daily life, and 20,000 children accessing Child Development Services. In 2023/24, total overall expenditure was $2.3 billion.

5. Four types of residential care services are provided for disabled children and adults who generally are not able to live independently or with families due to their level of support needs. Eligible people have a physical, intellectual, sensory, neurological, or developmental impairment (or a combination of these). In 2023/24, total expenditure on residential care was $1.062 billion, which was delivered by 257 service providers. In the last two years, expenditure has grown around $100 million per year, while the number of people receiving services has been relatively static. Most disabled people supported (6,154) were in residential care in community group homes.[1]

6. The work of the rapid review is complete. It found funding arrangements have become complicated and inefficient, with a heavy transactional burden on service providers, regional Needs Assessment and Service Coordination (NASC) agencies/Enabling Good Lives (EGL) sites, and DSS. There is a lack of fiscal management over the quality and quantity of expenditure, and inconsistency in how funding is applied for individuals. This has created issues of inequity and challenges with forecasting expenditure.

[1] At 31 December 2024, 7,293 people were supported across the four DSS-funded residential care services.

7. At 31 December 2024, 46 percent of people in residential care in community group homes were on individualised rates, which has become increasingly common. DSS does not have visibility over how these rates that lie outside of contracted rates are determined. If left unchanged, the majority of funding will soon be determined by individualised rates, which will exacerbate the issues found by the rapid review.

8. A new pricing model for residential care in community group homes is proposed to be implemented using a banded rates approach. Implementing the new pricing model is a technical exercise that will improve financial management and establish an evidence base to inform price setting. It will not change services, nor is it about reducing costs. It sits alongside changes in contracting, service specifications, monitoring, and quality improvements which collectively contribute to stabilising residential care services.

9. The new pricing model will see DSS fund providers on the basis of the volume and composition of their residents – with higher needs residents attracting higher rates. In the transition from the current funding arrangements to the new system, residents' funding allocations will be matched to the closest available banded rates. As a result, the nominal value of some packages will go up, and others will go down. However, it is proposed that overall funding for each provider will not reduce in 2025/26, if the Budget 2025 funding increase is agreed. Given that no provider will receive less funding, and most will receive a material increase, service levels for residents and overall service capacity in the system should be at least maintained.

10. A limited use of individualised exemptions is proposed for people with the five percent of highest and lowest assessed rates in residential care in community group homes, as their variable and unpredictable costs will lie outside of the banded rates.

11. Providers will have discretion about how to use funding to meet the service requirements for their residents. Providers will benefit from simplified payments, with separate revenue streams integrated into one price per resident. The credibility of the model will be maintained through annual pricing reviews aligned with the Budget process.

12. DSS will closely monitor and support providers through implementation, including through direct engagement, communications, and help to adjust. DSS is exploring whether any additional transitional support may be required for providers, where appropriate, which will be met within available funding. Our top priority is to ensure continuity of care and service experience for disabled people.

13. There is an opportunity to align implementation of the new pricing model with new contracts with providers, which have to be developed from March 2025. A national contracting approach is proposed for younger disabled people in Aged Residential Care settings, which also needs to proceed immediately.

14. As invited by Cabinet in December 2024 [CAB-24-MIN-0493 refers], a precommitment of $60 million per year against the Budget 2025 operating allowance is sought to enable these actions to proceed, which is within the range agreed by Cabinet.

15. Alternative approaches that continue current arrangements are proposed for High and Complex services and for Oranga Tamariki commissioned residential care for children and young people, because of specialist workforces and support arrangements involved.

16. I also seek approval to transfer unspent funds within the Vote Social Development, Community Participation Services appropriation from 2024/25 to 2025/26 to the Supporting Tangata Whaikaha Māori and Disabled People multicategory appropriation. This will offset DSS cost pressures in 2025/26 with work underway.

Background

Table 1: Milestones in DSS stabilisation work programme

2024	April	Agreed to an independent review of DSS. [CAB-24-MIN-0141]
	June	Independent Review report delivered: recommended actions that should be taken immediately in the 2024/25 financial year.
	August	Cabinet agreed to the reviewers' recommendations and transferred DSS from the Ministry of Disabled People to MSD. [CAB-24-MIN-0301]
	September	A freeze on funding for residential care services was put in place, pending a rapid review of contract and pricing models (recommendation 2). No price increase for providers in 2024/25 (recommendation 3).
	29 October to 22 November	Public consultation undertaken to gather feedback on the issues raised by the Independent Review.
	4 December (SOU)	Cabinet agreed to develop a new pricing model with banded rates for residential care, and release a consultation document on options for assessment, allocation, and flexible funding. [CAB-24-MIN-0493]
2025	10 February to 24 March	Five weeks public consultation is running on options for stabilising assessment, allocation, and flexible funding.
Today	s 9(2)(f)(iv)	[redacted]

17. DSS funds four types of residential care for eligible disabled people (see Appendix one):

    17.1. in community group homes

    17.2. in Aged Residential Care settings, for people who have a high level of need requiring specialist care and/or do not live close to a community group home

    17.3. for children and young people under 18 years old who are placed in long-term out-of-home, staffed care arrangements that are specific to meeting their disability-related support need, as commissioned by Oranga Tamariki

    17.4. in secure, supervised facilities for people with high and complex needs who cannot be based in the community, which is authorised under legislation.

A new pricing model for residential care in community group homes is proposed

18. At 31 December 2024, there were 6,154 people receiving residential care in community group homes, who are funded by DSS through 2,920 different prices. Of this population, 3,346 people (54 percent) were covered by 112 contracted rates, and 2,808 people (46 percent) were paid using individualised rates. The large number of contracted rates and the increasing trend in use of individualised rates has resulted in

pricing arrangements that are overly complex, with limited consistency between providers and across regions. The contracted rates no longer reflect the services' cost base because they have not been reviewed since 2016.

No provider will receive less funding in 2025/26

19. I seek agreement to implement a new pricing model for residential care in community group homes. As Cabinet agreed [CAB-24-MIN-0493 refers], a new pricing model has been developed using banded rates, which will be more robust, simpler, more stable, and allow for greater fiscal management and forecasting by DSS (see Appendix two). It is intended that no provider will receive less funding in 2025/26 as the result of the new pricing model implementation, if the Budget 2025 funding increase is agreed.

Pricing will be based on external evidence that determines the reasonable cost of services

20. Officials recommend proceeding with a new pricing model based on reasonable costs of residential care services that are benchmarked against external data, for example food inflation. These reasonable costs of services have been informed by a review of the 14 existing pricing models and tested by a representative group of providers. Keeping the reasonable costs updated will be critical to maintain the pricing model's credibility. An annual review of pricing is proposed, where costs can be updated, for example due to inflation. Maintaining the model will ensure that there is reliable, objective evidence to inform updating the prices and input into the Budget process.

21. It is proposed that there will be six banded rates in each of the four Health New Zealand-aligned regions, creating 24 banded rates administered by DSS across the country. This approach meets the objectives of increased cost control and transparency and reduced complexity, while balancing responsiveness to variable regional costs (for example, house rents). This is a significant reduction from the current 112 contracted rates. The use of individualised rates will also decrease except for marginal situations.

22. DSS will develop a new assessment tool for NASCs/EGL sites so there is a consistent approach to identifying individuals' needs and funding allocations under the model.

Providers will benefit from simplified processes that reduces administrative burden

23. Providers will have increased flexibility in managing their funding, which will be based on the volume and composition of residents. In transitioning, existing residents' funding allocations will be matched to the nearest banded rate. This results in providers having to manage 'unders and overs', where the price set by the banded rate may not necessarily reflect the assessed cost of a resident. However, these differences will average out for most providers (as overpayments will net out underpayments).

24. The new pricing model, in principle, has been well received by a small number of providers in the confidential testing undertaken by DSS in February 2025. Providers have welcomed the reduction of the heavy compliance burden on them. Theyhave identified that funding tied to individuals' costs creates administrative burden., with changes requiring multiple and ongoing manual transactions by DSS, NASCs/EGL sites and providers.

Exemptions are proposed for the five percent highest costs and five percent lowest cost individuals in residential care in community group homes

25. Banded rates are an effective and efficient approach to set pricing where there is predictable information on costs and demand. However, there are some people with very high and complex support needs who do not have predictable costs due to their unique support needs (for example, multiple support staff are required due to behavioural challenges, and/or multiple impairments and/or health conditions present). These high rates are variable and spread out over a wide range. Applying the banded rates would not be efficient, because there would be many wide banded rates with a few people in each. There is a similar but different issue with people on low rates, which is being investigated by DSS to understand how the low rates were set.

26. I seek agreement for an exemption allowing individualised rates to be set for:

    26.1. individuals assessed with the most unique and highest level of support which result in a funding allocation beyond the highest banded rate (that is the top five percent of rates, approximately 300 people)

    26.2. individuals whose rates will be less than the lowest banded rate (that is the lowest five percent of rates, approximately 300 people).

27. The risk of individualised rates being overused will be mitigated by:

    27.1. All applications for individualised (high cost) rates will be required to be submitted for a DSS quality assurance assessment before being accepted.

    27.2. New system monitoring, including on NASCs/EGL sites performance, will give DSS regular information on the implementation of the new pricing model.

    27.3. An annual business process within DSS to review the costs of services in the pricing model to reflect the past year's cost increases.

Implementation timing aligns with the process for new contracts with providers

28. There are three broad phases in the implementation pathway for the new pricing model for residential care in community group homes:

    28.1. **Now until 30 June 2025:** financial and administrative changes underway, new assessment tool developed for use by NASCs/EGL sites, and training.

    28.2. **1 July to 30 November 2025:** an interim period, until new contracts with providers commence, where practice will ensure expenditure is managed.

    28.3. **1 December 2025:** the DSS funding system will rollover to the new pricing model for providers through new contracts.

29. s 9(2)(j) [redacted]

    29.1. s 9(2)(j) [redacted]

s 9(2)(j) [redacted]

29.2. s 9(2)(j) [redacted]

30. s 9(2)(j) [redacted] The proposed annual review of the pricing model will also be an opportunity to make adjustments to the pricing model. Regular communications with providers, NASCs/EGL sites, and the community have been underway through DSS channels, and will continue. s 9(2)(j) [redacted]

An alternative contracting approach is proposed for Aged Residential Care settings

31. DSS funds placements in Aged Residential Care (ARC) settings for people where community group homes cannot meet the level of support required or where there are no facilities in close proximity to their families (currently about 900 people). s 9(2)(j) [redacted] DSS current practice is to agree a fee-for-service occupancy for a bed in an ARC facillity. The fee varies depending on the support needs of individuals, the volume of demand, and the availability of alternative services.

32. DSS is developing new contracts with ARC providers. Applying the banded rates designed for residential care in community group homes to these residential services would not be effective because of the different operating environment and specialist support delivered. s 9(2)(j) [redacted]

A precommitment against Budget 2025 is needed for implementation to get underway

33. As invited by Cabinet [CAB-24-MIN-0493 refers], I seek agreement to a precommitment against the Budget 2025 operating allowance of $60 million in 2025/26 and out years. This is required to meet the cost pressures of moving to the new pricing model for residential care in community group homes that reflects the reasonable cost of services, and a price uplift for ARC delivered in the new contracting process. Agreement to the precommitment will allow implementation and the new contracting process to start immediately. The new pricing model is a foundational step towards establishing a credible funding pathway into the future. See Appendix four.

34. Most providers will see an increase in their funding, and no providers will receive less funding in 2025/26 (see Appendix two). s 9(2)(j) [redacted]

s 9(2)(j)

DSS will work with providers through the transition to ensure that disabled people receive continuity of care and service experience. This is our top priority.

35. I also intend that DSS engage with the Health New Zealand operational team and related third parties to progress funding system changes, as well as with providers, to develop new contracts (which require notice to be given six months in advance of expiry), and for other system preparations. This will require DSS to explain the new system, including the funding precommitment against Budget 2025.

36. Following Cabinet decisions in response to this paper, I intend to announce the actions to stabilise residential care services and the increased funding for providers.

Alternative approaches are recommended for two DSS-funded residential care services

37. I propose continuing status quo approaches for the two other residential care services. Applying the banded rates designed for residential care in community group homes would not be effective for these residential care services because support is provided to a relatively small number of people with very different, specialist support needs.

38. DSS will continue to work with Oranga Tamariki on the funding arrangement in relation to residential care for children and young people under 18 years old (which is specific to meeting their disability-related needs), who are under the responsibility of Oranga Tamariki. These services are funded by Oranga Tamariki. There is a funding Memorandum of Understanding in place that provides for Oranga Tamariki to be reimbursed for disability support related costs by DSS.

39. DSS will continue work on a strategy for DSS-funded High and Complex Services, which provides compulsory care and rehabilitation for intellectually disabled people in the criminal justice system, including those that have not been formally charged with a crime or are being held for other reasons under specific legislation.

Transferring an underspend will offset some cost for DSS stabilisation actions

40. I seek agreement for a fiscally-neutral transfer of an underspend in the Vote Social Development Community Participation Services appropriation in 2024/25 to the Supporting Tangata Whaikaha Māori and Disabled People multicategory appropriation of $18.410 million for 2025/26. Treasury supports this approach.

41. In 2021, Cabinet agreed that the Very High Needs, Transition from School, and Community Participation funding under the Community Participation Services appropriation should be included in personal budgets for the national implementation of the Enabling Good Lives approach led by the new Ministry for Disabled People [SWC-21-MIN-0146 refers]. In March 2024, I decided not to progress with this funding transfer. I was also informed by the Ministry of Social Development of an anticipated underspend of Community Participation funding in 2023/24 of $25.161 million arising from external factors that contributed to lower than forecast demand for these services.

42. In June 2024, Cabinet agreed in principle to transfer $18.410 million of this underspend into the 2024/25 year, subject to joint agreement of the Minister for Social Development and Employment, and the Minister of Finance [CAB-24-MIN-0216 and

SOU-24-MIN-0059 refer]. In November 2024, the Minister of Finance recommended that I seek Cabinet agreement to how the underspend might be utilised. I have considered options for use of this funding, and offsetting the costs of stabilising DSS is my highest priority around support for disabled people. Given the timing, I propose the funding be transferred into 2025/26 to help meet the costs of DSS stabilisation.

Cost-of-living Implications

43. There are no cost-of-living implications as a result of the proposals in this paper.

Financial Implications

44. The new pricing model will provide more robust and objective information to support a credible funding pathway. A precommitment against the Budget 2025 operating allowance of $60 million in 2025/26 and outyears is sought for DSS so that implementation work can get underway in the lead up to new contracts with providers. A fiscally-neutral adjustment is also proposed within Vote Social Development to transfer unspent funding from the Community Participation Services appropriation in 2024/25 to the Supporting Tangata Whaikaha Māori and Disabled People multicategory appropriation to meet the costs of stabilising DSS in 2025/26.

Legislative Implications

45. There are no direct legislative implications proposed in this paper.

Impact Analysis

46. A Regulatory Impact Statement is not required.

Population Implications

47. This paper's proposals will benefit eligible disabled people by providing certainty, increased consistency and transparency, and contributing to the sustainability of DSS.

Human Rights

48. Proposals in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of external resources

49. A consultancy has been engaged from October 2024 to February 2025 to develop the new pricing model banded rates that required specialised skills and knowledge.

Consultation

50. Agencies consulted: Accident Compensation Corporation, Health New Zealand, Oranga Tamariki, Public Service Commission, the Treasury, and the Ministries of Disabled People - Whaikaha, Education, Health, Business Innovation and Employment, and Social Development. The Department of the Prime Minister and Cabinet was informed. This paper's proposals were informed by workshops with selected providers

and submissions on the Independent Review report in late 2024, and the testing of the new pricing model's assumptions by a small group of providers in February 2025.

51. The Treasury is supportive of the proposed new banded rates approach, which would give DSS stronger levers over residential care price setting. The Treasury is also supportive of making a pre-commitment against the Budget 2025 operating allowance, an approach that was agreed by Cabinet in December 2024, as this would allow the new pricing model to be implemented quickly.

Proactive Release

52. I intend to proactively release this paper and the relevant minutes in due course. A summary of this document can be provided in alternate formats on request.

Recommendations

The Minister for Disability Issues and Social Development and Employment recommends that the Committee:

1 **note** that Cabinet decided in December 2024 [CAB-24-MIN-0493 refers] to:

1.1 direct the Ministry of Social Development to progress a pricing model for funding Disability Support Services-funded residential care services, including testing with providers and sector groups of banded rates;

1.2 invite the Minister for Disability Issues to report back to Cabinet in February 2025, with the detailed design and funding decisions, which will involve a pre-commitment against Budget 2025;

2 **agree** that the Ministry of Social Development's Disability Support Services (DSS) progress implementation of a new pricing model that uses banded rates to set the prices for residential care in community group homes, which will initially use six banded rates in each of four regions

3 **note** that, subject to recommendation 9 below, no provider of residential care in community group homes will receive less funding in 2025/26

4 **agree** that DSS review the pricing model annually, which will inform consideration through the Budget process of any change in prices

5 **agree** to limit use of individual exemptions for the highest five percent (subject to a DSS quality assurance assessment) and lowest five percent of funding allocations which lie outside of the banded rates for residential care in community group homes

6 **agree** that DSS develop a national contracting approach for purchasing places in Aged Residential Care settings for people eligible for DSS, in consultation with the Ministry of Health and Health New Zealand

7 **note** that DSS will continue to work with Oranga Tamariki in relation to residential care for children and young people under 18 years old (which is specific to meeting their disability-related needs) who are under the responsibility of Oranga Tamariki

8 **note** that there is a separate strategy in development in relation to improvements and funding of DSS-funded High and Complex Services

9 **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 2, 5 and 6 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development	$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister for Disability Issues					
Supporting Tangata Whaikaha Māori and Disabled People MCA					
Non-Departmental Output Expenses:					
Residential-based Support Services	-	60.000	60.000	60.000	60.000

10 **agree** that the expenses incurred under recommendation 9 above be charged as a precommitment against the Budget 2025 operating allowance

11 **approve** the following fiscally-neutral changes to appropriations to contribute to meeting DSS cost pressures in 2025/26, with no impact on the operating balance and/or net core Crown debt across the forecast period:

Vote Social Development	$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister for Social Development and Employment					
Non-Departmental Output Expenses:					
Community Participation Services	(18.410)	-	-	-	-
Minister for Disability Issues					
Supporting Tangata Whaikaha Māori and Disabled People MCA					
Non-Departmental Output Expenses:					
Residential-based Support Services	-	18.410	-	-	-

12 **agree** that the proposed changes to appropriations for 2024/25 above be included in the 2024/25 Supplementary Estimates

13 **agree** that DSS may communicate Cabinet decisions in response to this paper with Health New Zealand and relevant third parties for the purpose of preparing system changes for implementation and with providers of residential care services through the contract renewal process in advance of any public announcement

14 **note** that the Minister for Disability Issues intends to announce the Cabinet decisions in response to this paper, including the precommitment against Budget 2025.

Authorised for lodgement

Hon Louise Upston
Minister for Disability Issues, Minister for Social Development and Employment

Appendix one: DSS-funded residential care services

Table 2 shows actual expenditure for the four types of residential care in the financial year 2023/24, as well as the number of DSS funded individuals and providers as at 31 December 2024. Community group homes support most people accessing DSS-funded residential care and is the biggest expenditure line.

Table 2: Expenditure for the four residential care service lines 2023/24

Residential care service	***Actual expenditure 2023/24 $m***	***Percentage of total actual expenditure 2023/24***	***Number of people supported at 31 December 2024***	***Percentage of total people supported***	***Number of providers at 31 December 2024***
Community group homes	$910	86%	6,154	85%	88
Aged Residential Care settings	$75	7%	905	12%	160
Commissioned by Oranga Tamariki for children and young people under 18 years old	$10	1%	98	1%	1
Secure and supervised facilities for disabled people with high and complex needs who cannot be based in the community	$67	6%	136	2%	8
Total	**$1,062**	**100%**	**7,293**	**100%**	**257**

Note: 'Providers' refers to the organisations that deliver residential care services, and many do so across multiple properties. These are a mixture of not-for-profit, for profit, and Crown organisations.

Table 3 sets out residential care funding for the previous three financial years, showing the steady increase in the cost of residential care.

Table 3: Residential-based support services expenditure (Vote Social Development Multicategory Appropriation 'Supporting Tāngata Whaikaha Māori and Disabled People' (M23) (A25), non-departmental other expense)

	$m		
Funding type	***2022/23***	***2023/24***	***2024/25***
Baseline	$901	$1,002	$1,015
Cost pressures	$92	$65	$133
Top-up	-	$30	-
Total	**$993**	**$1,097**	**$1,148**

Note: The total funding for the 2023/24 financial year is $35 million more than the actual expenditure due to a funding top up that was allocated but not fully spent.

Appendix two: New pricing model banded rates for residential care in community group homes

The new pricing model uses a banded rates approach. This method groups the prices for each person in residential care into bands from which a weighted average price (banded rate) is calculated. A banded rate approach enhances fiscal management and improves transparency and consistency in pricing compared to other individualised or capacity-based pricing approaches.

Use of banded rates creates a simpler system that is less dependent on precisely determining the needs of any one individual and is more stable because small changes in an individual's assessment may not affect the price paid.

Building a pricing model on an individualised basis that takes all the fixed and variable costs of residential care into account would be unwieldly and not efficient. Banded rates are a common method that account for all the costs and provide a way to cost-average in effect at a level that works for providers.

Banded rates result in 'overs-and-unders' for providers, where the averaged price may be more or less than the funding allocation for any individual. For most providers these 'overs-and-unders' average out over time with a mix of residents. There is, however, a risk especially for smaller providers who have fewer residents across which to 'average out' the banded rates.

Creating bands requires a trade-off between having:

- a larger number of banded rates, with the averaged prices more closely reflecting an individual's funding allocation; or
- a smaller number of banded rates, which supports stronger administration but also results in a larger gap between averaged prices, reducing the exact match between price paid and cost for each individual resident.

Most costs relate to accommodating a person in residential care, which are relatively stable and predictable over time (with the difference between providers most likely accounted by regional variations).

Analysis of funding for residential care in community group homes found that approximately 90 percent of individuals lie in a predictable distribution. Extending the banded rates to cover 100 percent of individuals would result in a large number of bands at the top and lower ends. At the high end, costs for individuals are highly variable and not predictable and therefore challenging to be incorporated in a banded rates model. The bands would need to be wide and apply to a small number of individuals.

A regional banded rate approach has been taken based on the location of each individual in a residential group home. A total of 24 banded rates will apply nationally across four regions, with six banded rates in each region. Using regions allows for responsiveness to geographic-specific costs, mostly for housing rental prices. The regions refer to the Health New Zealand defined regions (see Map – Health New Zealand | Te Whatu Ora).

It is intended that no provider will receive less funding in 2025/26, with most receiving an increase (see Table 4).

s 9(2)(j)

s 9(2)(j)

s 9(2)(j)

Table 5 sets out draft banded rates. These are a total price inclusive of: Advance Interim Payments for pay equity, sleepovers, and client contribution; and are provided on a GST exclusive basis. These are on a 'per-day, per-resident' basis.

The banded rates are subject to change through implementation and will be delivered through new contracts with providers intended to come into effect from 1 December 2025.

s 9(2)(j)

s 9(2)(j)

Appendix three: Principles underpinning the proposed change to the new pricing model

DSS is using the following principles to inform communications with service providers, disabled people and families, and other stakeholders on how the approach to change to the new pricing model, subject to Cabinet agreement, will be implemented.

- **Continuity of care**: Disabled people in residential care continue to receive quality and safe care in their usual place of residence.
- **Service capacity maintained**: Disabled people, their family and whānau maintain choice and control about where they live. NASCs and Enabling Good Lives (EGL) sites take a fair, consistent, and transparent approach to eligibility for residential care.
- **Transition supported**: Providers will be supported to transition to the new pricing model.
- **System efficiency improved**: The design of the new pricing model will contribute to stabilising disability support services by promoting efficiency gains (and avoid introducing any new inefficiencies).
- **Sustainable funding**: Implementation of the new pricing model must be affordable. [Note that this means within the Government's overall cost envelope, which is 2 to 6 percent of the funding for residential care in community group homes in 2023/24, that is $20m to $60m].
- **Realistically deliverable**: The proposed changes must be practically implementable as soon as possible.
- **Stabilisation enhancing**: The pricing is fairer, more consistent, and more transparent. Through simplifying the pricing system, we do not constrain future design decisions.

s 9(2)(f)(iv)