Meeting the need

A funding analysis of New Zealand's Needs Assessment and Service Coordination providers (NASCs)

NZIER report to NZNASCA (publicly released)

July 2024

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Key points

Needs Assessment and Service Coordination providers (NASCs) play a critical role in helping over 90 percent of New Zealand's disability community access support, with the Enabling Good Lives (EGL sites) still serving only a small proportion of this population. The ability of the NASCs to respond to need in a timely manner and to provide high-quality services that support the principles of Enabling Good Lives directly impacts on the wellbeing of disabled people and their families.

This report, commissioned by the New Zealand Needs Assessment and Service Coordination Association (NZNASCA), examines the trends in the funding of NASCs (NASC management fees) against a range of factors that would be expected to be reflected in funding trends, including:

- growth in the demand for services (size of the client population)
- price and wage increases (inflation)
- trends in broader health and disability system funding
- trends in client complexity.

In addition to analysing NASC data, we compare this to data on the EGL sites provided by Whaikaha and the Ministry of Health.

Recent funding uplifts have not fully addressed historic underfunding associated with inflation and demand pressures

Over the last ten years, the NASCs have seen significant growth in their client populations.

The report highlights that:

- The NASCs have been through significant periods where funding has fallen short of what would have been required just to keep up with expected nominal cost increases (inflation) on a per client basis.
- Periodic funding uplifts have resulted in current funding being in line with what would have been expected based on inflation adjustment and client population growth adjustment from 2013 to 2023, but the historic underfunding of the NASCs has not been fully addressed (without even considering increased complexity or expectations of services to be delivered in line with EGL principals), leaving a funding shortfall of between \$39 and \$105 per client, or between \$1.7 million and \$4.7 million overall, as of 2023/24.
- While NASC funding has grown at a slightly higher rate than Vote Health and DHB funding, the client population served by the NASCs has grown much faster than the populations served by the health system.
- If per person NASC funding had grown at the same rate as per person funding implied by Vote Health and DHB funding, total NASC funding would have been between \$2.6

million and $3.5 million higher on average per year from 2014/15 to 2023/24. That equates to a management fee top-up of $59 to $79 per client in 2023.

While dealing with significant funding shortfalls, the NASCs have faced an increasingly complex client base and reduced ability to be responsive and flexible

Additional pressures over the last ten years that the NASCs have had to deal with while also finding efficiencies to continue meeting the needs of their populations under significant funding shortfalls include:

- A notable shift in the complexity mix of their client populations: In 2013, the most common SPA level of NASC clients was Medium, followed by High. In 2023, the most common SPA level was High, followed by Very High. High complexity is likely to translate into greater resource requirements for the NASCs.
- Significantly reduced discretionary funding, in nominal terms, between 2014/15 and 2022/23 and in real terms from 2013/14 to 2023/24, which has reduced the NASCs' ability to be responsive and flexible in the services they provide.
- Adding to these pressures, the NASCs have responded to the increased expectations of disabled people and their families and of Whaikaha to change their practices in line with EGL principles – a way of working that carries additional costs as well as delivering better outcomes and experiences.

Efficiency improvements have supported core services, but historic underfunding has begun to impact on access and sustainability

The NASCs have reportedly implemented a range of efficiency improvements to continue meeting the needs of clients while also responding to growing expectations and motivation to implement changes to the way they work with clients to give effect to the principles of Enabling Good Lives. This is evident in the growth they have been able to sustain despite funding shortfalls.

However, our analysis of the impacts of funding shortfalls suggests the opportunities for efficiency improvements have likely been exhausted: In the latter part of the last decade, after a sustained period of underfunding that was only partially addressed by later uplifts, the NASCs have had to resort to constraining wage growth for staff, and this has likely contributed to the increasing wait times for people entering the service.

At the same time that the NASCs have faced funding shortfalls with consequent wage constraints, the EGL sites have fared much better

Our analysis of the EGL data shows that the EGL sites' operational funding has been significantly more generous than the NASC management fee on a per client basis. EGL sites receive, on average, more than double what the NASCs receive (over $2,000 per client compared with $781 for the NASCs).

This difference is likely to have contributed to the ability of the EGL sites to pay, on average, 30 percent higher salaries to frontline staff than what the NASCs have paid in recent years – a difference that translates into EGL frontline salaries being in line with what the NASC frontline salaries would be if they had kept up with inflation over the last decade.

Whaikaha should implement an immediate solution for historic under-funding and appropriate population-based funding for future service sustainability

NZIER recommends that:

- Whaikaha addresses the historic inflation-related shortfall in NASC funding to level the playing field for *all* service providers, support equitable salaries, and reduce NASC turnover and vacancies that contribute to access barriers for the disability community.
- Whaikaha implements a population-based funding formula for both the NASCs and the EGL sites to ensure *all* providers are adequately funded to accommodate future growth in demand for services, inflation, and an increasingly complex mix of clients.

Identity-first language

Consistent with the New Zealand Disability Strategy 2016-2026, this report uses disability-first language (e.g. ‘disabled person’).

We acknowledge that language preferences within the disability community are diverse, with some individuals and groups preferring person-first language (e.g. ‘person with a disability’).

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1 Background

The New Zealand Needs Assessment and Service Coordination Association (NZNASCA) commissioned NZIER to assess the funding of Needs Assessment and Service Coordination providers (NASCs) over the last ten years, focusing exclusively on the NASCs that serve the disability community. The purpose is to inform discussions about the adequacy of funding for these NASCs to ensure the sustainability of services and their ability to keep up with expectations of service responsiveness and quality given the changing size, mix, and needs of the disabled population and the evolving expectations of funders regarding what constitutes quality services.

The analysis was based on provider data for the years 2013/14 to 2023/24 supplied by Whaikaha and a sample of individual NASCs.

1.1 Disability services are used by a significant portion of the population

According to the New Zealand Disability Survey 2013, approximately one in four New Zealanders had a physical, sensory, learning, mental health or other disability. Māori were slightly more affected by disability than non-Māori, with the Māori prevalence being 26 percent, compared with 24 percent of the total New Zealand population.

Disability is, by its nature as well as due to the barriers that a world designed for non-disabled people imposes, a complex issue. The disability community includes people with a wide variety of physical, sensory, cognitive, psychosocial and other impairments, as well as those who support them. Providing services for this varied community is made more complex by the fact that people with the same impairment may experience their impairment differently, have different levels and types of informal support, and can have different goals and aspirations that translate into different needs and, therefore, require different responses.

Because of the complexity of supporting the disability community, service providers working in this sector need to have the resources and know-how to be responsive, flexible and respectful.

Many disabled people will at some point be referred, or will self-refer, for a needs assessment to determine their eligibility for publicly funded support and begin the process of identifying what support they need. For many, the process will be repeated regularly as their needs evolve. The relationship with – and trust in – service providers is central to their sense of being respected and valued as members of society, as well as their access to the life they aspire to live.

1.2 Types of NASCs

NASCs are contracted by Whaikaha, the Ministry of Health or Health NZ to serve:

- people with disabilities
- people with mental health issues
- older people needing age-related support.

NASCs may specialise and be contracted to provide services in one or more of these areas, so each region of New Zealand may have several NASCs. Each NASC has a responsibility to a population in a defined region.

This report focuses exclusively on the NASCs that serve the disability community.

1.3 NASC services and activities

The key services NASCs provide are:

- assessing referrals for eligibility
- facilitating needs assessment
- planning and coordinating services
- allocating resources within a defined budget
- responding to requests for information/advice.

Because disability support is provided through these services for people with long-term disabilities whose goals, needs and circumstances may change, the NASCs also manage their clients on a cycle with scheduled re-assessments. Whaikaha's contracts with the NASCs require every client to be reassessed every three years, with full documentation of that process, and this may also result in new requirements for service coordination.

In addition to scheduled re-assessments, clients may request a re-assessment at any time if they feel there has been a change that requires it.

1.4 NASC staffing requirements

The key personnel of NASCs involved in the services described in the previous section are:

- the needs assessor who spends a considerable amount of time travelling to and meeting clients face-to-face, often in the client's home, as well as having online meetings with clients who are happy with this approach
- the service coordinator who performs a desk-based role consisting of allocating resources against the needs and goals identified in the needs assessment document.

In many cases, the needs assessor and the service coordinator may be the same person performing these two functions.

Needs assessment is labour-intensive. The needs assessment process itself can take up to four hours, with time spent completing documentation and travelling to and from clients being additional to this. Needs assessment typically involves working through what a 'good life' might look like from the perspective of the disabled person and their support person. This involves thinking about day-to-day activities as they are as well as how they could be with the right kind of support. Clients may need to work through a typical weekday, a typical weekend day, and/or an entire week to fully identify what is needed and wanted. It may also include reviewing information provided by doctors, teachers, or other specialists that provide insight into the disabled person's needs.

According to Whaikaha (Ministry of Health 2019), the key functions of NASCs also include:

- Information management: NASCs collect information from disabled people and their families, disability and other service providers, and government agencies to support informed assessments of needs and funding allocation as well as to promote determination and choice for the person. NASCs also collect and provide information to Whaikaha to support service development, monitoring, and reporting.

- Budget management: NASCs manage, on behalf of Whaikaha, an indicative budget for the disabled person based upon an annual allocation. NASCs need to ensure that people with the highest priority needs are prioritised for access to services and help ensure that people do not exceed the indicative budget. Budget management involves identifying and allocating cost-effective packages of services within an indicative budget and benchmark indicators determined by Whaikaha.

Due to the high prevalence of coexisting conditions and the need for person-centred rather than condition or service-centred approaches to carry out their key functions, the NASCs often work at the interface with other services, including, in particular, at the interface with:

- Mental health services: Many disabled people also experience short- or long-term mental illness, requiring the NASC to work in collaboration with the relevant mental health services and potentially with other NASCs whose primary responsibility is to people with mental illness.
- Personal health services: Acute illness and post-discharge care requirements can impact on the disability support needs of disabled people. In addition, many people who have experienced acute illness or have been discharged from hospital are facing disability for the first time. In both cases, the NASCs will be required to provide needs assessment services (either review or first assessment), and this may need to be coordinated with discharge plans to ensure appropriate support is in place when people return home.
- Other agencies: People with disabilities may experience a wide range of issues that require the involvement of other agencies, such as housing, welfare, justice, child wellbeing and education. Key agencies and providers often have a Memorandum of Understanding in place with the NASCs that establishes how the relationship will work.

  (Ministry of Health 2019)

To support the full range of services and activities, the NASCs may employ a range of other staff, including not only needs assessors and service coordinators but also:

- managers/supervisors
- case managers
- nurses or other allied health professionals
- administrators.

Staff employed by the NASCs have skills and competencies that are sought after across the health and disability sector and must be paid competitively to retain them and avoid the negative impacts of vacancies on service levels or quality.

1.5 Enabling Good Lives sets out new expectations for the NASCs

Enabling Good Lives (EGL) is an approach based on a set of principles for disability services that was developed with extensive consultation and input from disabled people and their families subsequent to New Zealand ratifying the Convention on the Rights of Persons with Disabilities (CRPD) in 2008.

The first Enabling Good Lives report set out a new approach to understanding and supporting disabled people in New Zealand. The focus was on disabled people having more control, on services being more flexible and on community-driven change. As a principles-based approach, EGL does not specify services but allows families and communities to work out what will work best for them.

Three demonstration sites were established for EGL, while the pre-existing NASC model remained in place in the rest of the country as well as alongside the EGL model at two EGL sites. However, sector-wide support for EGL, the expectations of the funder (now Whaikaha), and the aspirations of the NASCs to better serve their communities have motivated the NASCs to adopt EGL principles and implement changes to the activities they carry out. This has meant adopting new ways of working that provide more choice, control, and flexibility to disabled people, including how they use their funding and the disability support they buy with it.

The adoption of this new approach has resulted in the following shifts to disability services provided by NASC service providers:

- moving from needs assessments based on what people cannot do to having plans based on people's strengths, preferences, and aspirations
- conducting needs assessments as facilitated, client-led, highly individualised processes rather than standardised services led by the needs assessor (supported self-assessment)
- increased use of individualised funding that people have control of, replacing bulk-funded services
- assisting people in interpreting guidelines on the use of individualised funding and making decisions that are consistent with them as the use of personal budgets has grown relative to the traditional model of bulk-funded services.

The requirements of these changes include both a higher level of skill for needs assessors and a longer time spent on needs assessments and service coordination.

Esteves (2018) identified that new approaches to needs assessment can be more time-consuming due to:

- the common need for an introductory session or process to help the disabled person or their support person understand the process and prepare them to take an active role in self-assessment
- the need to include the carer's perspective.

Similarly, as needs assessments have become more individualised, service coordination has followed the same trajectory, with service coordinators needing a broader knowledge set to be able to identify the services and required resources to support highly individualised plans.

These resource implications carry through to reviews and re-assessments, with the risk that disabled people who have a right to ask for re-assessment may be more likely to do so, or do so more often, due to the expectations for more responsive individualised support associated with EGL principles.

1.6 NASCs are also required to meet the needs of Māori, consistent with Treaty obligations as well as EGL principles

To ensure the EGL principles are upheld equally for Māori as for non-Māori, as well as for Pacific people, requirements have been placed on the NASCs to provide culturally responsive and appropriate services.

The NASCs are required to have established and implemented a Māori Service Plan, covering governance, management, organisational competencies, Māori health and disability gain, assessment and coordination practices, and their respective contributions to improving outcomes for Māori through the needs assessment and service coordination process. NASCs must also ensure that they recruit, train and develop Māori to:

- ensure the provision of culturally competent services for Māori
- ensure they can include a cultural component in the facilitated needs assessment, including access to kaumatua
- facilitate improved access for Māori to disability support services, including by being able to provide NASC services in Te Reo Māori.

In addition to meeting the needs of Māori and ensuring NASC services meet the obligations of the Crown under the Treaty of Waitangi, increased recognition of cultural dimensions with and alongside the adoption of EGL principles has meant additional requirements on the NASCs, including:

- demonstrating progress on implementation of Pacific cultural competencies to address access barriers for Pacific people who have been under-represented in accessing disability services, often find navigating services challenging, and face both a lack of culturally responsive services as well as negative traditional Pacific views of disability
- providing culturally appropriate facilitated needs assessment and service coordination for people of other cultures, including new migrants and people with refugee status, by employing interpreters as necessary.

2 Our approach

2.1 Objectives

Our objectives for this report were to:

- describe how the operational funding (management fee) received by the NASCs has evolved over time
- assess how well NASC funding has kept up with demand growth, inflation and general health and disability sector funding trends
- identify additional pressures on the NASCs that may translate into additional costs or resource requirements or impact on the NASCs' ability to meet the needs of their populations
- identify any evidence of the impacts of funding shortfalls and additional pressures on NASC services.

2.2 Data

The data we analysed included:

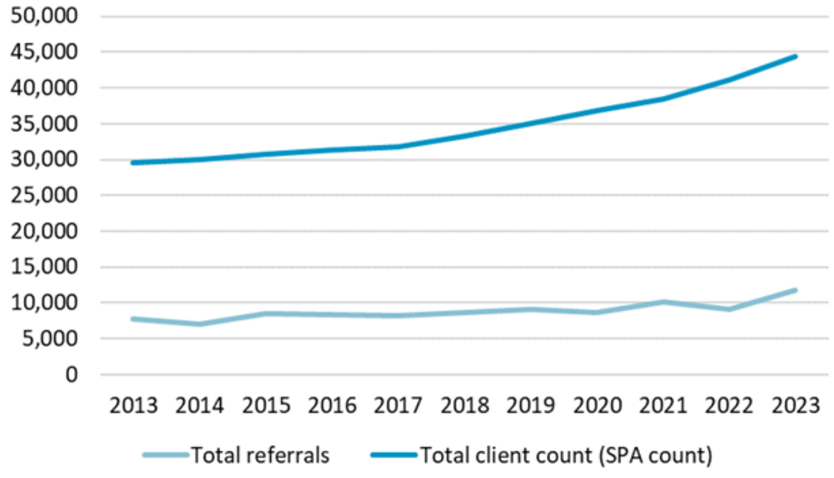
- funding data (aggregated at the NASC and national levels) from 2013/14 to 2023/24 provided by Whaikaha
- client data (aggregated at the NASC and national levels) from 2013 to 2023 provided by Whaikaha
- activity data, including key performance indicators from 2013/14 to 2013/24 provided by Whaikaha
- business data provided by a sample of the NASCs.

2.3 Methods

We used the support package allocation (SPA) count provided by Whaikaha as a measure of demand for NASC services. SPAs represent the number of unique clients who have been assessed and have been allocated a support package by a NASC and will continue using NASC services, including review and re-assessment, for as long as they are eligible and choose to do so. The SPA count is a conservative indicator of the population served by the NASCs, as some referrals are assessed as ineligible.

As shown in the figure below, both the number of referrals and the SPA count have increased since 2013.

Figure 1 Total NASC referrals and client (SPA) count

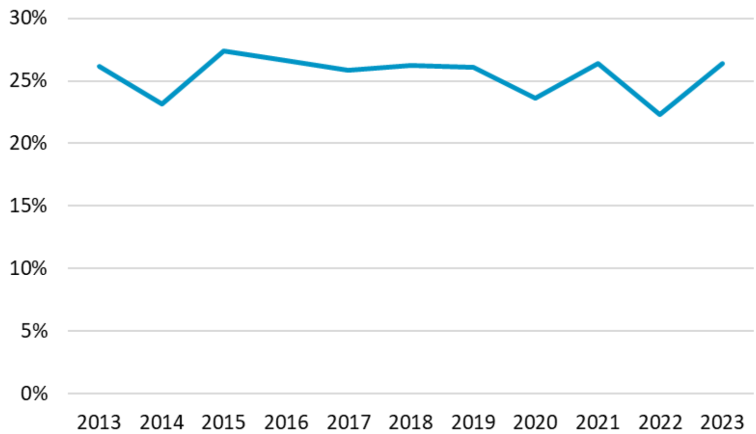


Source: NZIER, based on data provided by Whaikaha

If the relative proportions of these services and the SPA count changed over time, then the SPA count alone may not be an adequate proxy measure from which to identify trends in the level of services provided by the NASCs.

Figure 2 below shows that while there has been some variation in the proportion of referrals to SPA counts over time, the long-term proportion has remained constant at approximately 26 percent, indicating that trends in the SPA count are a good proxy for demand trends.

Figure 2 Referrals as a percentage of client (SPA) count



Source: NZIER, based on data provided by Whaikaha

We used two measures of inflation: The CPI (all groups), which provides a measure of general consumer price inflation, and the CPI (health), which provides a measure of price inflation for healthcare-specific goods and services.

We assessed the NASC funding trend against the trends in Vote Health (budget and actual) and DHB funding (budget).

Based on this analysis, we calculate the funding shortfall that affects the NASCs.

We also analyse trends in data that can help build a better understanding of the pressure on NASCs, including:

- client complexity to identify the unmonetisable pressure faced by the NASCs to meet client needs in a world of increasingly complex needs
- discretionary funding, which supports the NASCs' ability to provide a responsive and flexible response to client needs.

Finally, we investigate evidence that funding shortfalls are impacting services or the NASCs' ability to sustain them, specifically:

- wait times to needs assessment for eligible referrals
- clients overdue to needs assessment or service coordination reviews and re-assessments
- NASC staff salaries over time relative to wage inflation.

3 NASC funding analysis

In this section, we consider how NASC funding has increased over time relative to:

- factors that should drive increased funding, such as:
  - growth in the population served/client population
  - inflation
- relevant health and disability system comparators, such as:
  - Vote Health
  - DHB funding.

Understanding NASC funding relative to health and disability system comparators indicates prioritisation of funding and, therefore, of population needs.

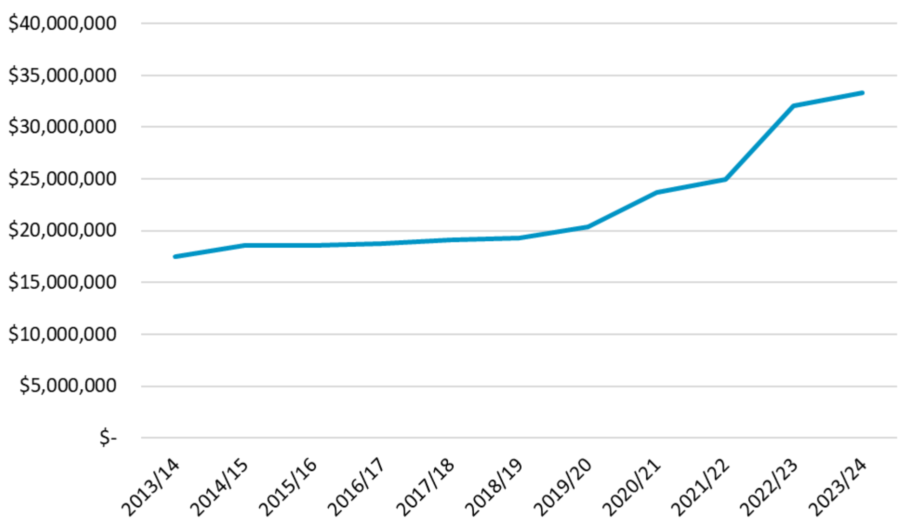
3.1 NASC funding

In this section, we describe the NASC funding, known as the management fee, which is intended to cover the operational costs of the NASCs.

From 2013/14 to 2023/24, NASC funding increased from $17,523,849 to $33,359,238. Most of this increase occurred in the latter half of the period (see Figure 3 below).

Figure 3 Total NASC funding*

2013/14 to 2023/24



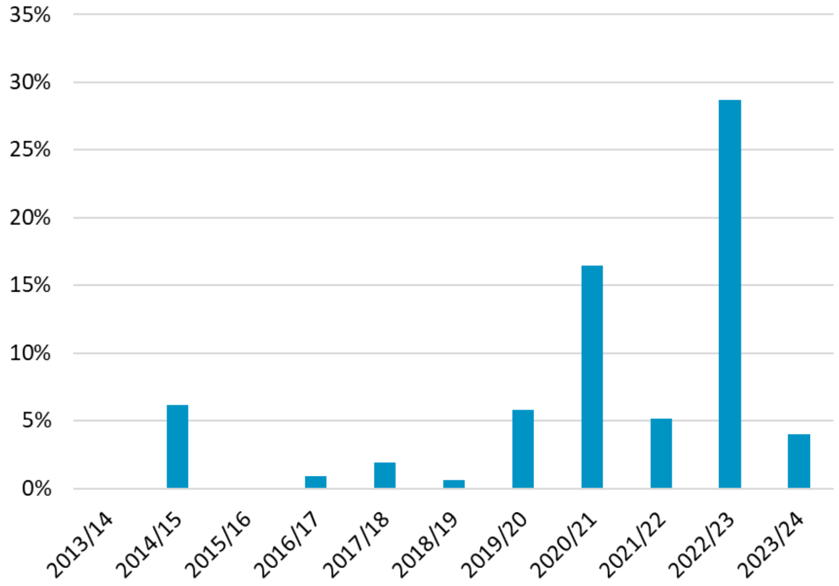
*Management fee

Source: NZIER, based on data provided by Whaikaha

This funding trajectory translates into annual growth rates of between zero percent and 28.7 percent. The period from 2015/16 to 2019/20, in particular, had low rates of growth in funding year on year, with significant funding uplifts being apparent only in 2020/21 and 2022/23 (see Figure 4 below).

Figure 4 Annual growth rate of NASC funding*

2014/15 to 2023/24



*Management fee

Note: No growth rate is calculated for 2013/14, as this is the first year in the data series provided by Whaikaha.

Source: NZIER, based on data provided by Whaikaha

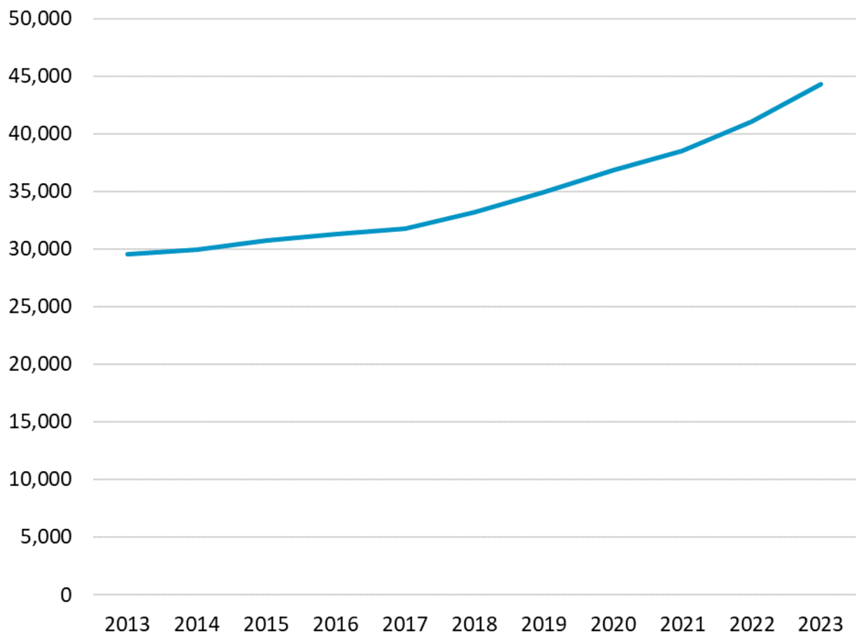
No information is available to identify what evidence is used to inform decisions regarding NASC funding, so it is not possible to explain long periods of little to no growth or significant increases.

3.2 Has NASC funding kept up with the increase in the client population?

New Zealand's population is growing, and the disability community is also growing. Data provided by Whaikaha shows that the population served by the NASCs has grown significantly since 2013.

Even though the NASCs respond to and assess many more people than those who ultimately are assessed as eligible for support, a standard measure of the NASCs' client population is the Support Package Allocation (SPA) count, which represents the number of clients who have been assessed as eligible for NASC services, have completed Needs Assessments, and have been allocated funding to support their needs. Since 2013, the number of SPAs has grown from 29,566 to 44,344 in 2023 (see Figure 5 below).

Figure 5 NASC clients by SPA count



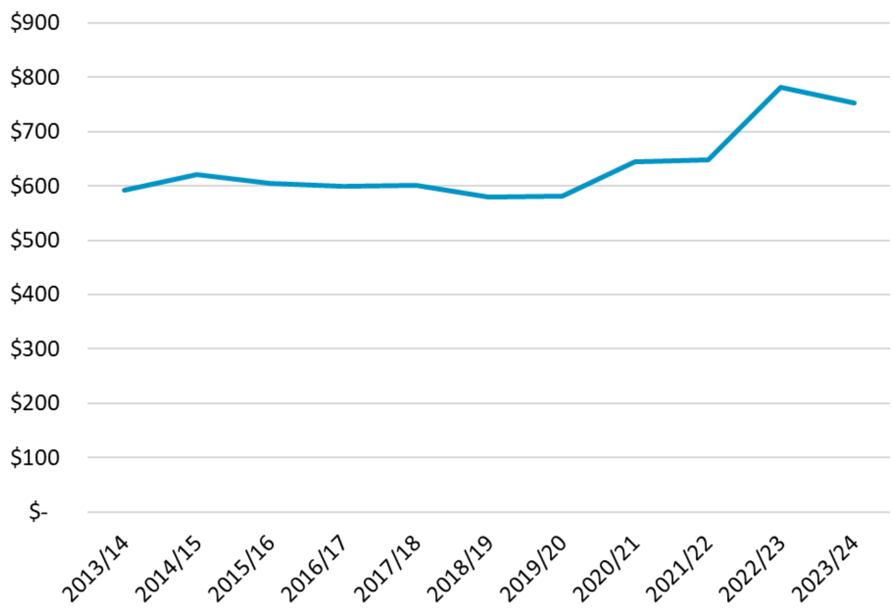
Note: SPA counts were provided by calendar year.

Source: NZIER, based on data provided by Whaikaha

NASC funding has increased on a per client basis, in nominal terms, since 2013, from $593 per client to $752 per client in 2023/24 (see Figure 6 below).

Figure 6 NASC funding* per client

2013/14 to 2023/24



*Management fee

Source: NZIER, based on data provided by Whaikaha

3.3 Has NASC funding per client kept up with inflation?

A fundamental requirement for funding services for a population is that it maintain its value in real terms on a per client basis. This means that the general increase in prices (inflation) that affects the costs of providing services should be reflected in the funding that supports services. Falling behind in real terms can mean service providers can no longer afford to purchase the same level of inputs (e.g. staff time) and, therefore either fail to meet the demand for services or compromise on the services provided (e.g. spending less time with clients for the same service) that result in quality deterioration.

To identify how NASC funding has kept up in real terms, we construct two alternative series for NASC funding (management fee) per client from 2013 to 2023 based on two alternative measures of inflation that may be relevant to NASC services:

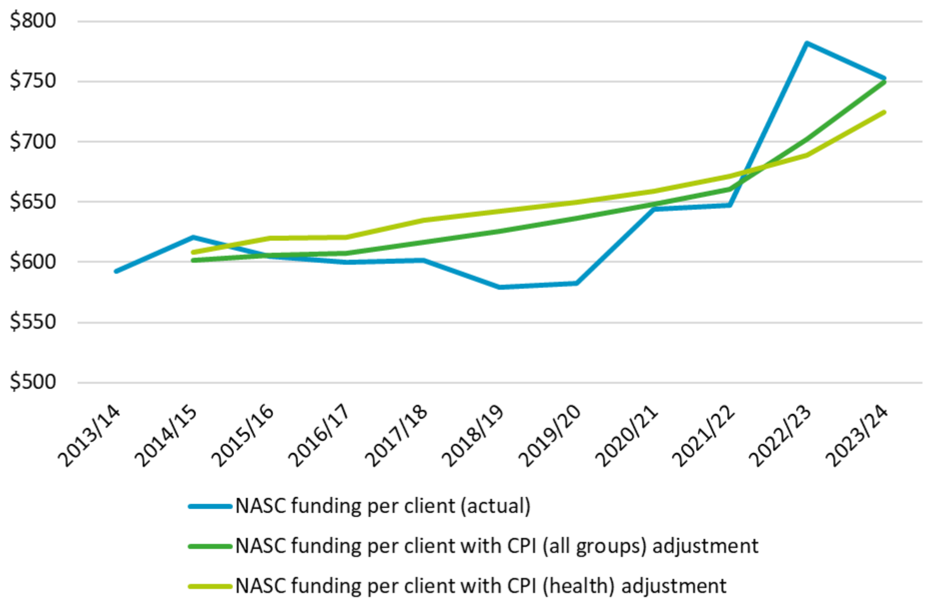
- The consumer price index (CPI) (all groups)
- The consumer price index (CPI) (health)

Figure 7 below shows how these two CPI-adjusted series, constructed by inflating the 2013 NASC funding per client ($593) by the annual rate of inflation, compared with the actual NASC funding per client that the NASCs received.

The result of this comparison suggests that since 2013, while NASC funding per client has been through a period of falling behind what would have been expected, it was at the end of 2023 at a level similar to what would have been expected if funding changes had been calculated to keep up with inflation. However, the significant and sustained shortfall from 2017 to 2020 would have put the NASCs under significant pressure to maintain staffing with market wages that were not supported by the funding they received.

Figure 7 NASC funding* per client with and without inflation adjustment

2013/14 to 2023/24



*Management fee

Source: NZIER, based on data provided by Whaikaha

3.4 What is the size of the funding gap, taking inflation and demand growth into consideration?

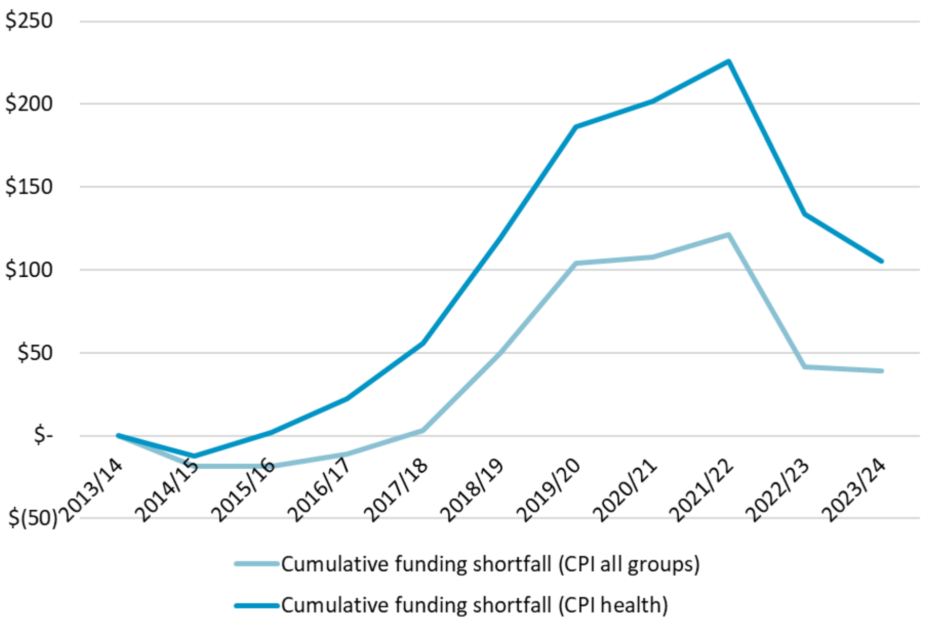
For a provider organisation, the fact that funding is now at the level that would have been expected if inflation adjustments to per client funding rates had been implemented on an annual basis is not equivalent to a situation where that annual inflation adjustment would have taken place. Every year that overall funding resulted in funding per client falling below the inflation-adjusted funding per client, created a shortfall, and annual shortfalls accumulate as pressures on the organisation with deferred salary adjustments, deferred investments, reduced spending on staff training, etc. The cumulative shortfall of per client funding against the inflation-adjusted values is shown in Figure 8 below.

Figure 8 below shows that the impact of inflation as measured by either CPI grew significantly in the period leading up to the COVID-19 pandemic, reaching a peak in 2021 at between $121 and $226 per client. A significant funding increase in 2022/23 reduced but did not eliminate this cumulative shortfall, which stood at between $39 and $105 per client in 2023/24.

That is, recent funding uplifts have brought NASC funding into line with inflation adjustments but have not addressed historic underfunding in real terms.

Figure 8 Cumulative shortfall in NASC funding* per client relative to inflation

2013/14 to 2023/24



*Management fee.

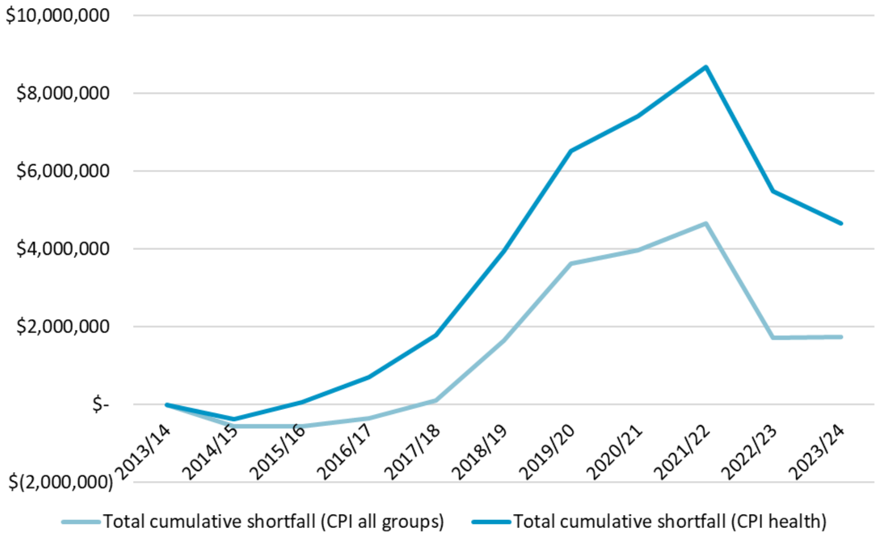
Source: NZIER, based on data provided by Whaikaha

In 2016, Sapere (Esplin et al. 2016) conducted a review of disability services, including the NASCs. The reviewers considered the question of economies of scale within the context of the size of individual NASC organisations in terms of client numbers. The review determined that economies of scale may be achievable in theory if overheads can be spread over a higher level of activity. However, despite reviewing the cost structures of NASCs in detail, the review also argued that there was no evidence of economies of scale being achieved in bigger NASCs.

Based on the total SPA count for the NASCs, the cumulative shortfall per client as a result of the failure to keep up with inflation peaked at between $4.6 million and $8.7 million in 2021 before being reduced by significant funding uplifts to a cumulative shortfall of between $1.7 million and $4.7 million by 2023 (see Figure 9 below).

Figure 9 Total cumulative shortfall in total NASC funding* relative to inflation

2013/14 to 2023/24



*Management fee

Source: NZIER, based on data provided by Whaikaha

This cumulative shortfall is not insignificant. At its peak, the shortfall represented between 20 percent and 35 percent of the total management fees received by the NASCs, and the shortfall remained at between 5 percent and 14 percent of the total management fees received by the NASCs even after significant uplifts.

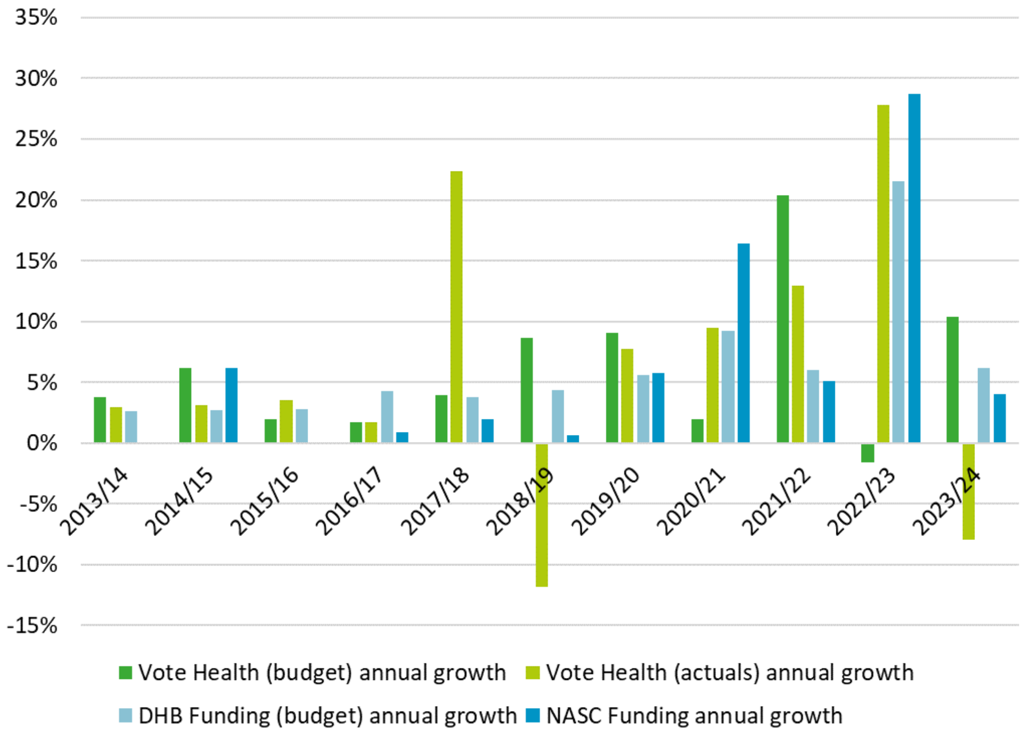
These figures indicate that over the period of time between 2013 and 2023, the NASCs would have had to find significant efficiencies in order to continue providing services.

3.5 Has NASC funding kept up with broader health and disability sector funding trends?

Compared with relevant funding comparators (budgeted Vote Health, actual Vote Health, and budgeted DHB funding), it is clear that at least some of the periods of low and negative growth for total NASC funding were reflected in a broader trend. However, growth in NASC funding fell behind growth in actual and budgeted Vote Health from 2015/16 to 2019/20 (negative growth in Vote Health actual spending in 2018/19 was more than compensated for by a high growth year in 2017/18). Growth in NASC funding is highest only in 2020/21 and 2022/23 (see Figure 10).

Figure 10 Annual growth rates for funding comparators

2013/14 to 2023/24



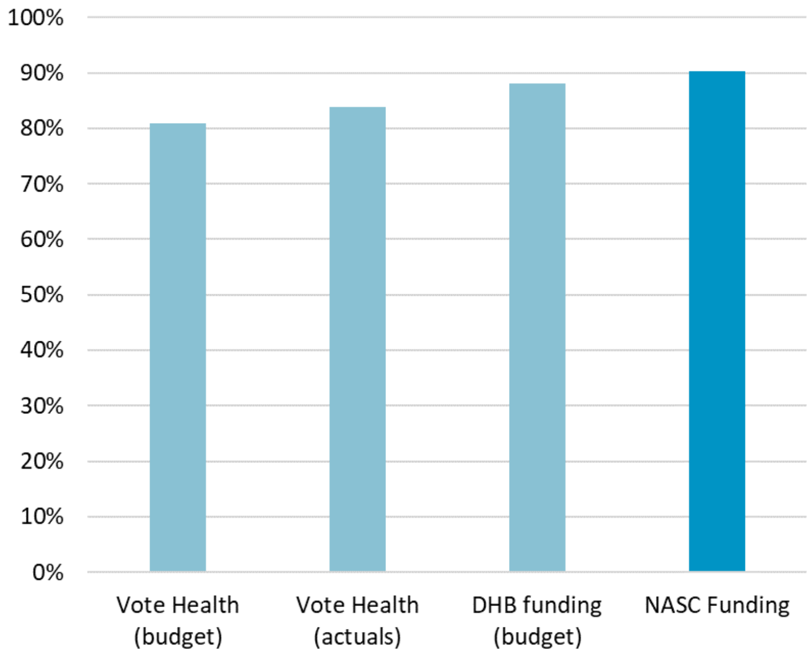
Note: NASC funding refers to the management fee. No growth rate for 2013/14 is calculated for NASC funding due to this being the first year of the data series provided by Whaikaha.

Source: NZIER, based on data provided by Whaikaha and Vote Appropriations published by the Treasury

Looking at the growth in funding across these comparators for the whole period 2013/14 to 2023/24 reveals that total NASC funding has grown marginally more than the other comparators in this period (see Figure 11 below).

Figure 11 Overall growth of NASC funding* and funding comparators

2013/14 to 2023/24



*Management fee

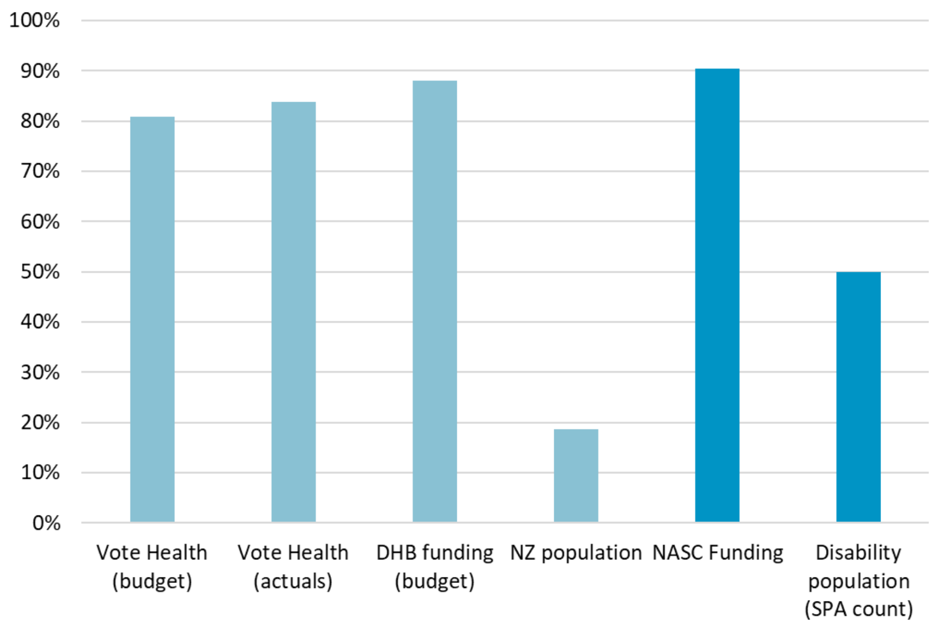
Source: NZIER, based on data provided by Whaikaha and Vote Appropriations published by the Treasury

While these comparators provide some basis for assessing NASC funding, it is important to note that NASC funding is designed to meet the needs of a specific sub-population, while Vote Health and DHB funding is intended to meet the needs of the entire New Zealand population. Consequently, the growth rates in these funding comparators should be considered against the growth rates of their respective populations served.

According to Stats NZ population estimates, the total New Zealand population grew by 19 percent between 2013/14 and 2023/24. During the same period, the NASC client population grew by 50 percent (see Figure 12 below).

Figure 12 Growth rates of comparators and relevant populations

2013/14 to 2023/24



Note: NASC funding refers to the NASC management fee.

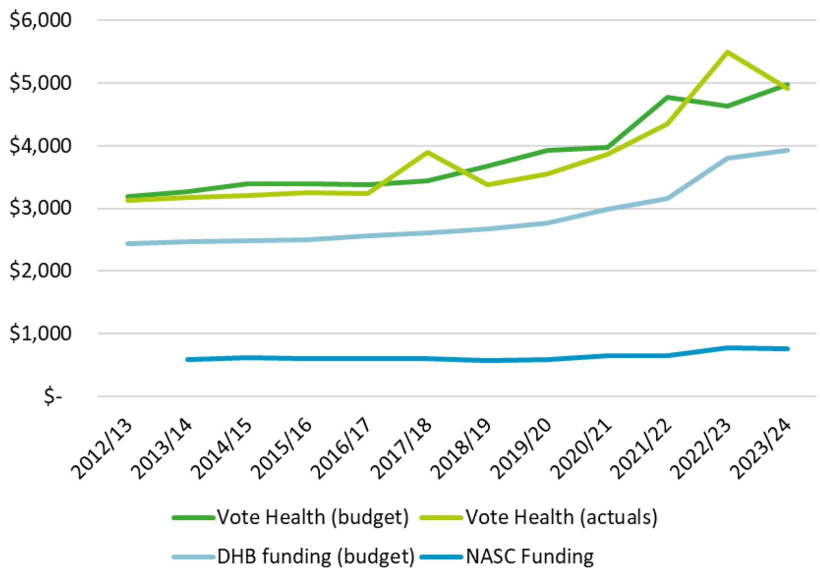
Source: NZIER, based on data provided by Whaikaha, Vote Appropriations published by the Treasury, and Stats NZ population estimates.

Given the population served by the NASCS grew at more than twice the rate of the population served by the health system, the slightly higher growth in NASC funding compared with Vote Health and DHB funding measures raises the question of whether NASC funding has been adequate.

Figure 13 below shows how the comparators grew on a per person basis, using the total New Zealand population as the denominator for Vote Health and DHB funding figures and the SPA count as the disability population served by the NASCs.

Figure 13 Per person funding of health and disability funding comparators

2013/14 to 2023/24



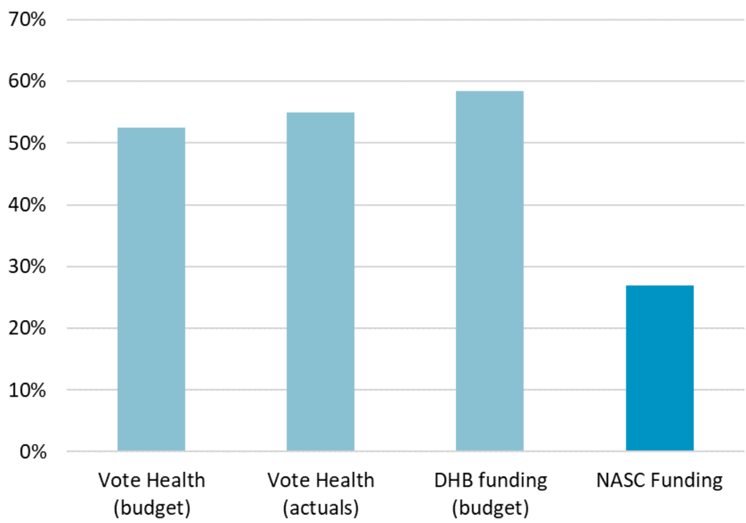
Note: NASC funding refers to the NASC management fee.

Source: NZIER, based on data provided by Whaikaha, Vote Appropriations published by the Treasury, and Stats NZ population estimates.

Figure 14 below shows that per person funding using any of the Vote Health or DHB funding measures grew by between 50 and 60 percent from 2013/14 to 2023/24. In contrast, NASC funding per client grew by only 27 percent.

Figure 14 Growth in per person funding of health and disability funding comparators

2013/14 to 2023/24



Note: NASC funding refers to the NASC management fee.

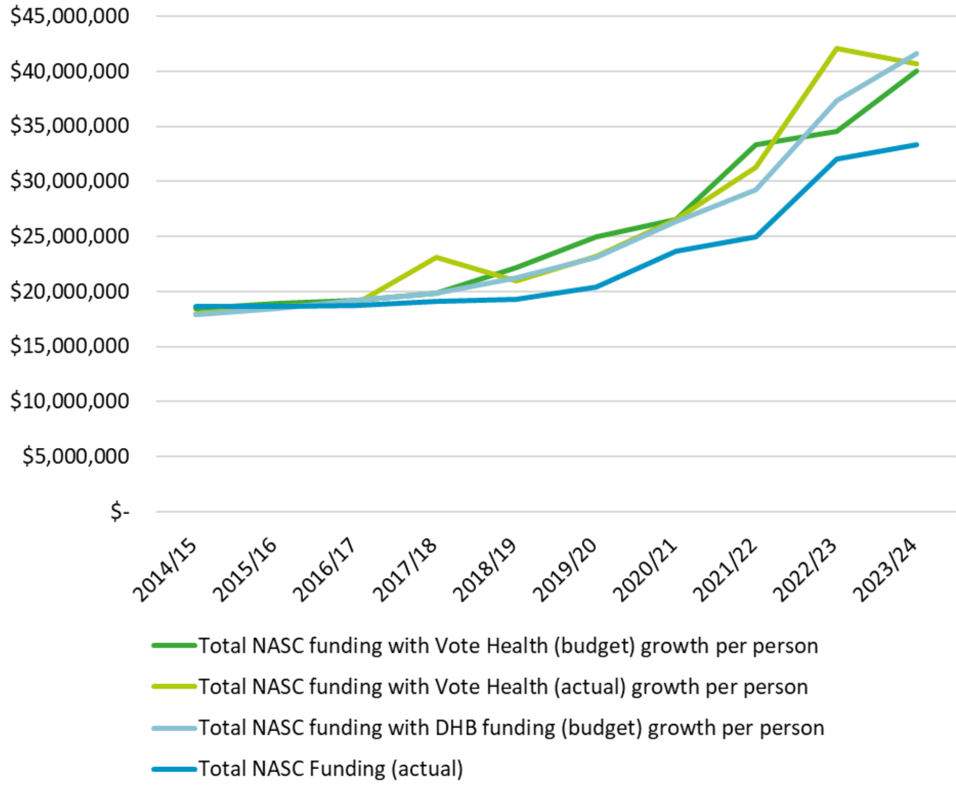
Source: NZIER, based on data provided by Whaikaha, Vote Appropriations published by the Treasury, and Stats NZ population estimates.

3.6 What is the size of the funding gap under alternative growth scenarios?

If per person NASC funding had grown at the same rate as per person funding implied by the comparators, total NASC funding would have been between $2.6 million and $3.5 million higher on average per year from 2014/15 to 2023/24. This translates into an additional $59 to $79 per SPA based on the 2023 SPA count.

Figure 15 Total NASC funding* under alternative comparator per person growth scenarios

2014/15 to 2023/24



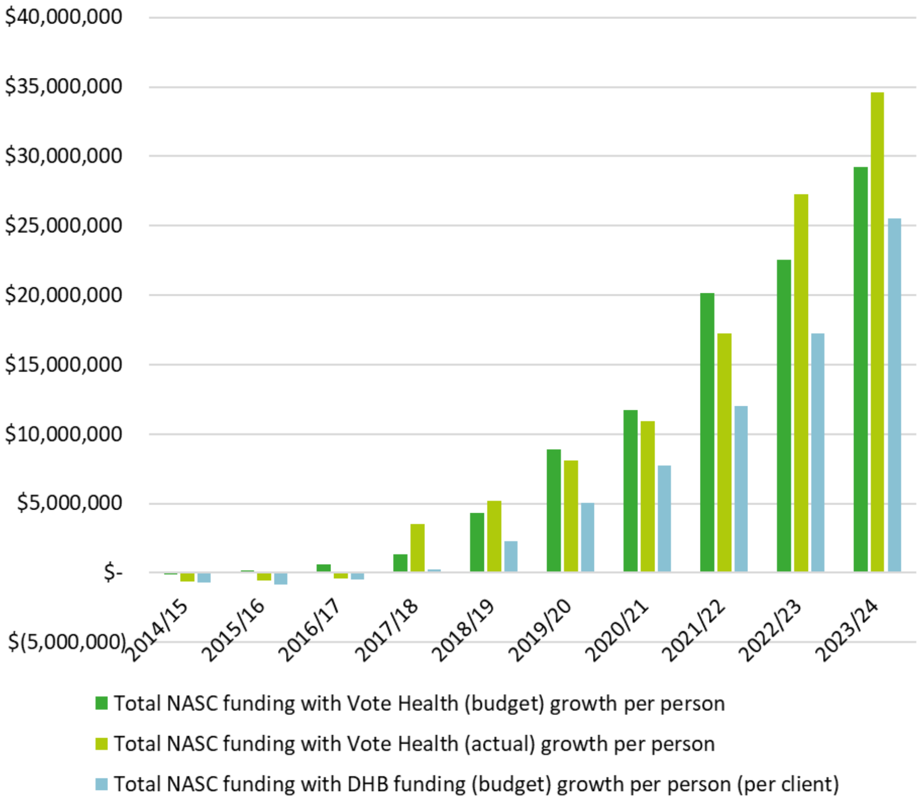
*Management fee

Source: NZIER, based on data provided by Whaikaha, Vote Appropriations published by the Treasury, and Stats NZ population estimates.

Based on the annual shortfall of NASC funding relative to what it would have been if per person funding had seen the same growth as the comparators, the cumulative funding gap for the period 2014/15 to 2023/24 is between $26 million and $35 million (see Figure 16).

Figure 16 Cumulative NASC funding* gap under alternative comparator per person growth scenarios

2014/15 to 2023/24



*Management fee

Source: NZIER, based on data provided by Whaikaha, Vote Appropriations published by the Treasury, and Stats NZ population estimates.

4 Additional pressures on NASCs

In addition to NASC funding failing to reflect the realities of inflation, client population growth, and broader expenditure trends in the health and disability sector, the NASCs are facing two major sources of pressure that directly impact on their ability to maintain access and quality in the services they provide:

- increasing client complexity that places additional demands on staff
- reduced discretionary funding, constraining the NASCs' ability to be responsive to an increasingly complex client base.

4.1 Increasing client complexity

Client complexity is a key determinant of the costs of meeting clients' needs, especially when EGL principles are reflected in service delivery.

While there is no clear way of attributing a cost or cost relativity according to client complexity, changes in the mix of complexity should be an important consideration alongside factors that have more readily monetisable implications.

The client population served by the NASCs is diverse, reflecting a broad range of disabilities and age groups.

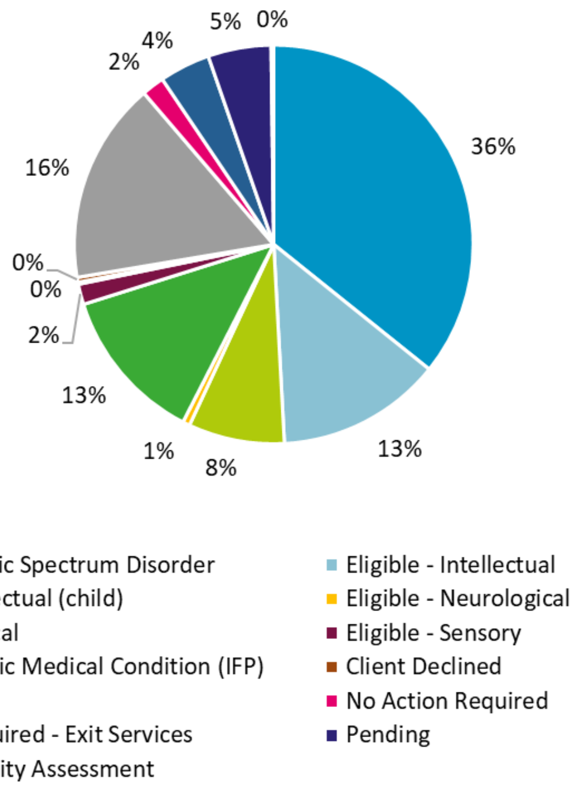
Based on referrals received between 1 July 2022 and 30 June 2023:

- 36 percent of clients have autistic spectrum disorder (ASD)
- 21 percent of clients have an intellectual disability (13 percent adult and 8 percent children)
- 13 percent have a physical disability.

See Figure 17 below.

Figure 17 Diversity of disability in NASC referrals

2022/23



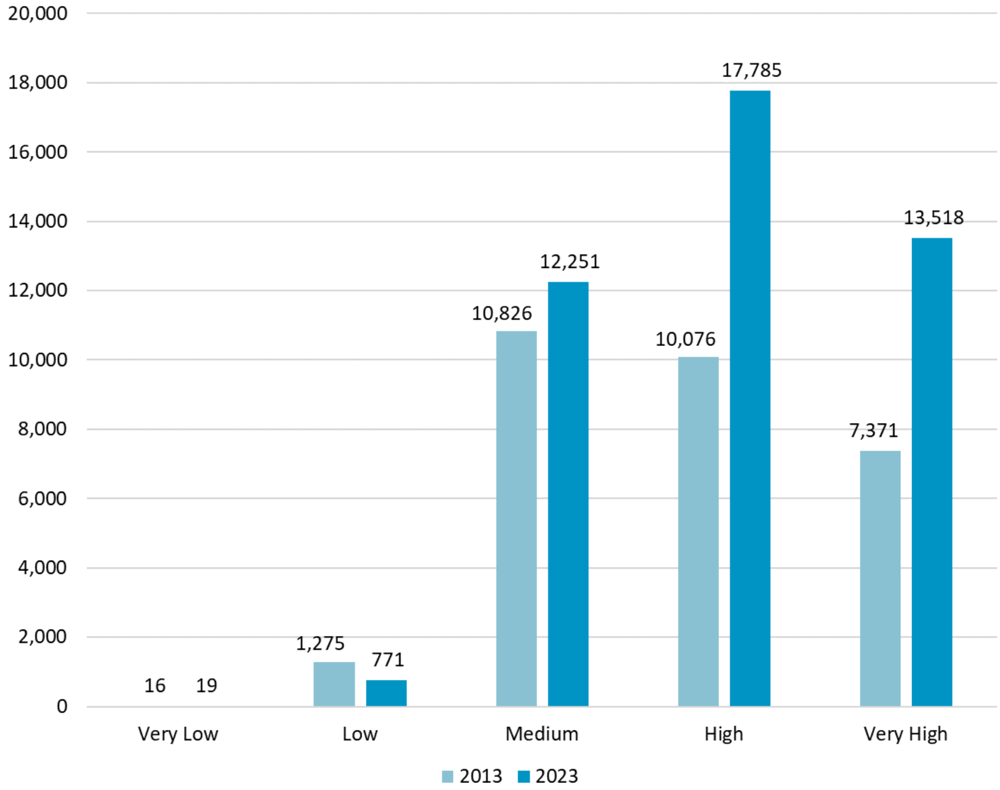
Source: NZIER, based on data provided by Whaikaha

While the nature of a person's disability plays a role in needs assessment, the differences in needs between two people with the same impairment may be substantial. So, rather than grouping clients by disability type or impairment, the complexity of NASC client needs is best reflected by the support package allocation (SPA) level assigned to them after the needs assessment is completed. SPA levels range from very low to very high and support allocations are for each level within each age group.

Data on SPA levels for NASC clients shows that in 2013, the most common SPA level of NASC clients was Medium, followed by High. In 2023, the most common SPA level was High, followed by Very High (see Figure 18 below).

Figure 18 Number of NASC clients by SPA level

2013 and 2023

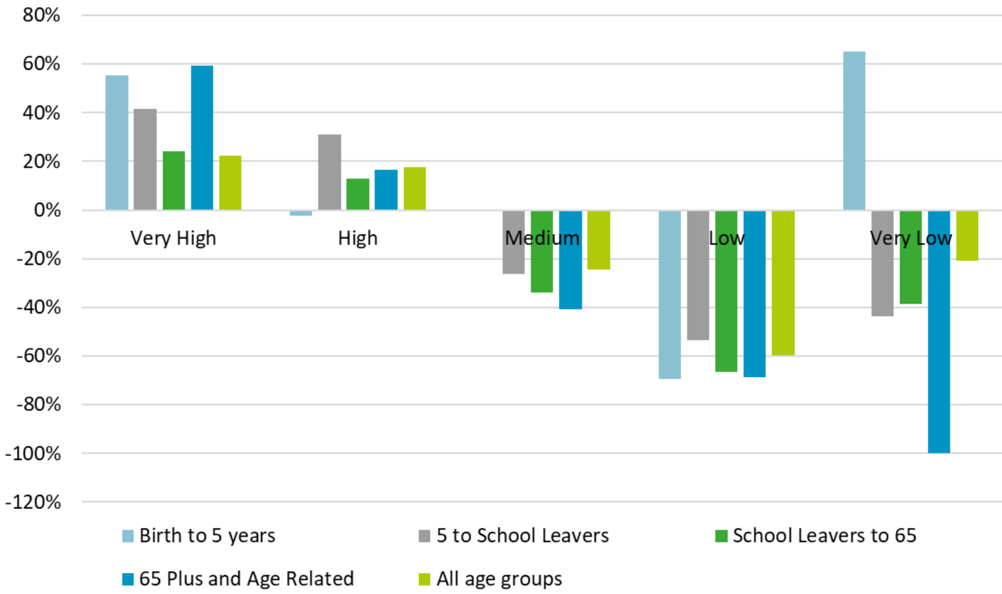


Source: NZIER, based on data provided by Whaikaha

Over the ten years of data used in this analysis, growth in the number of clients with High or Very High SPA levels is seen for all age groups (see Figure 19 below). Only the birth to 5 years age group saw growth in the number of Very Low SPA level clients; however, as seen in Figure 18 above, this SPA level has had very few clients in it.

Figure 19 Change in proportion of SPA levels within age groups

2013 to 2023



Source: NZIER, based on data provided by Whaikaha

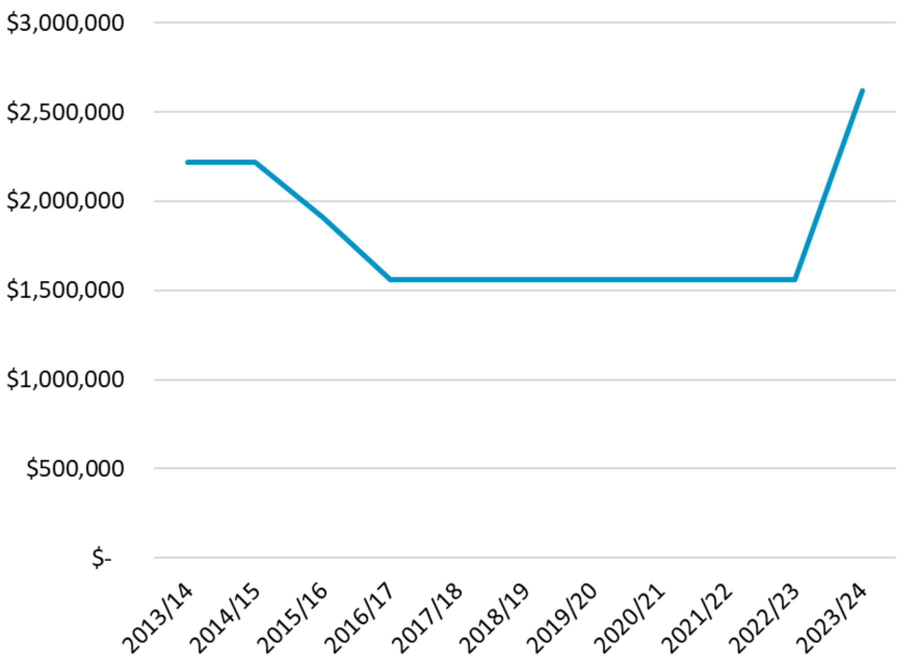
4.2 Reduced discretionary funding

Discretionary funding is a pool of funds provided to the NASCs by Whaikaha to enable them to allow the NASCs to respond flexibly and in a timely manner when a disabled person requires services that would not otherwise be accessible to them. For example, discretionary funding might be used to purchase services that are needed urgently due to a change in circumstances, which cannot wait for a needs re-assessment or review. While this source of funding does not cover NASC costs, it impacts on NASC services, specifically on the ability of the NASCs to meet the needs of their local populations and clients.

Between 2023/14 and 2023/24, the amount of discretionary funding the NASCs received was significantly reduced before being restored in 2023/24 (see Figure 20 below).

Figure 20 Total discretionary funding provided to the NASCs

2013/14 to 2023/24

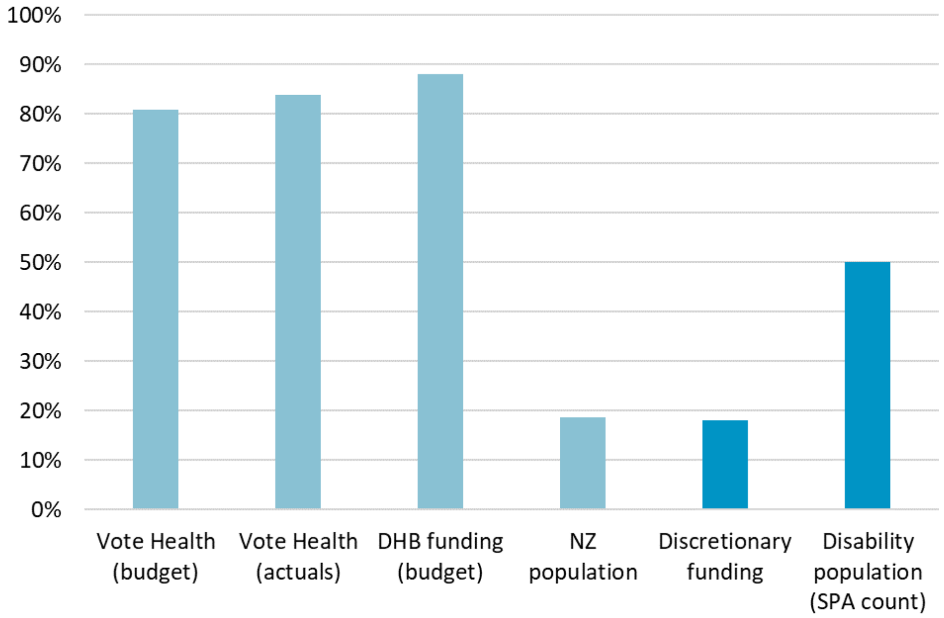


Source: NZIER, based on data provided by Whaikaha

Compared with growth in Vote Health and DHB funding, both of which far exceeded growth in their relevant client population (as shown previously in Section 3.5), the growth in discretionary funding has been significantly lower, and this is all the more striking when considered against the growth in the NASC client own population (see Figure 21 below).

Figure 21 Growth rates of discretionary funding and comparators vs. relevant populations

2013/14 to 2023/24

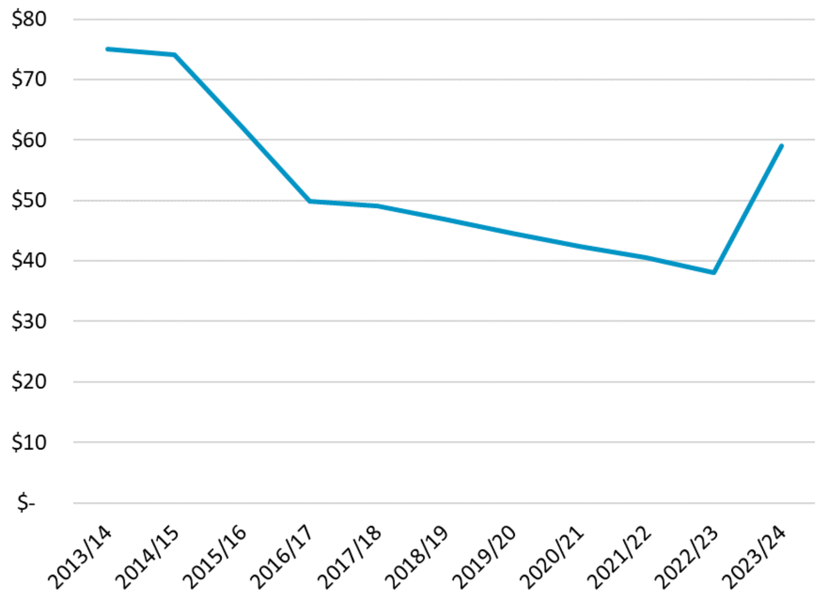


Source: NZIER, based on data from Whaikaha

On a per client basis, the amount of discretionary funding has fallen, relative to 2013/14, even in nominal terms (before adjusting for inflation) (see Figure 22 below).

Figure 22 Discretionary funding per client

2013/14 to 2023/24

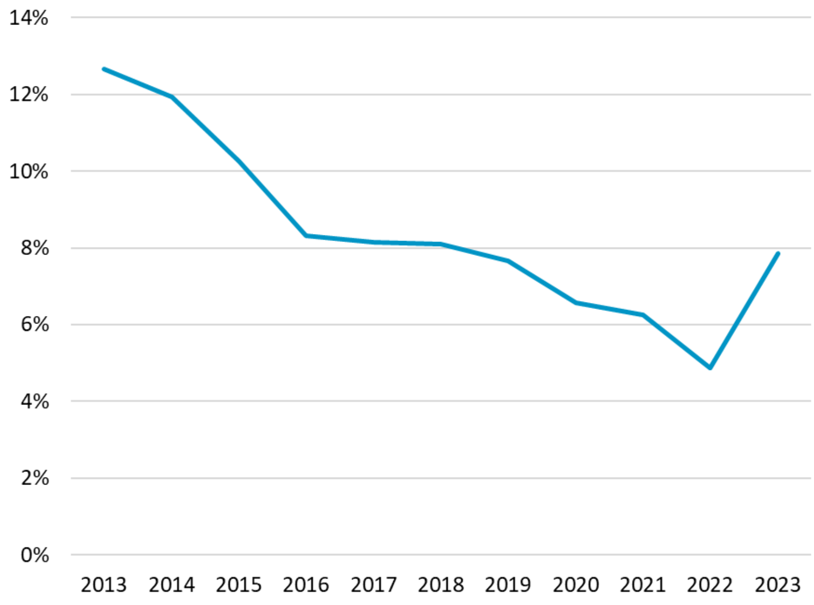


Source: NZIER, based on data provided by Whaikaha

The discretionary funding provided to the NASCs has also declined significantly in proportion to the management fee: In 2013/14, discretionary funding was equal to approximately 13 percent of the management fee. This fell to 5 percent in 2022/23, with the 2023/24 uplift bringing it back up to only 8 percent (see Figure 23 below).

Figure 23 Discretionary funding as a percentage of the NASC management fee

2013/14 to 2023/24

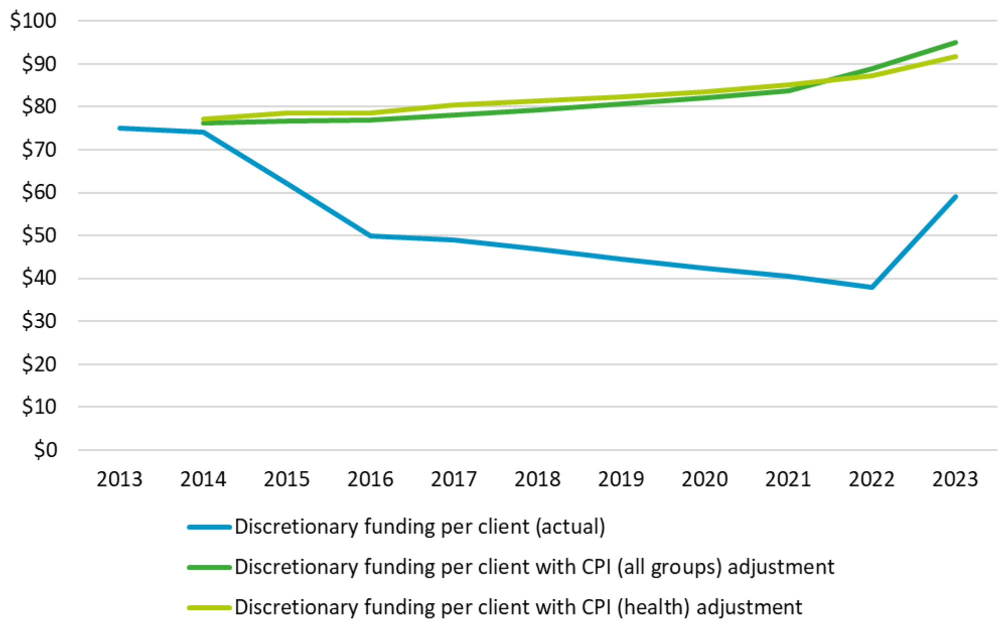


Source: NZIER, based on data provided by Whaikaha

If the amount of discretionary funding per NASC client had been adjusted for inflation from 2013/14 to 2023/24, it would be $33 to $36 dollars more per client (see Figure 24).

Figure 24 Discretionary funding per client with and without inflation adjustment

2013/14 to 2023/24



Source: NZIER, based on data provided by Whaikaha

In total, and based on the 2023 SPA count, the inflation-related shortfall in discretionary funding amounts to between $13.7 million and $14.2 million.

5 Evidence of impacts of funding shortfalls

We analysed data provided by Whaikaha to identify any impacts of the funding shortfalls that the NASCs have experienced over the last ten years.

In terms of services provided to clients and impacts that have affected the disability community over the last ten years, we analysed:

- wait times of eligible NASC referrals to needs assessment
- clients overdue for needs assessment or service coordination associated with reviews and re-assessments.

Because organisations may absorb funding shortfalls for a period of time, by implementing cost-cutting measures, which, if sustained over the long term, can ultimately impact on services, we also analysed:

- NASC staff salaries against general wage inflation.

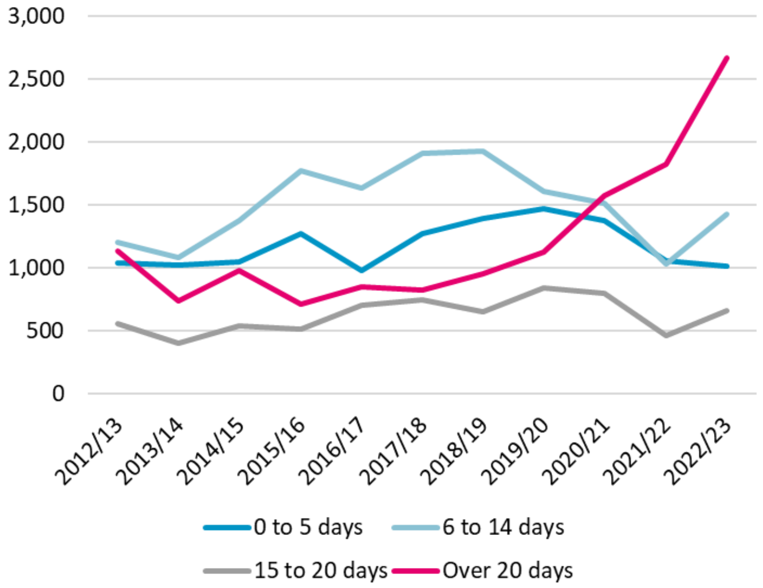
5.1 Wait times of eligible NASC referrals to needs assessment

Clients deemed eligible for NASC services who are waiting for needs assessment are particularly vulnerable as they may have significant support needs that are not being met. Timely needs assessment following a determination of eligibility is a key outcome of effective services, but one that is likely to suffer when funding falls short of what is required, as service providers continue to accept clients but struggle to increase staffing to accommodate rising demand for services.

Data on wait times shows that the number of clients waiting over 20 days has grown significantly over the ten-year period, while other (shorter) wait times have seen some variability in numbers but were comparable in 2023/24 to what they were in 2013/14 (see Figure 25 below).

Figure 25 Number of eligible NASC referrals waiting for needs assessment, by wait time

2012/13 to 2022/23

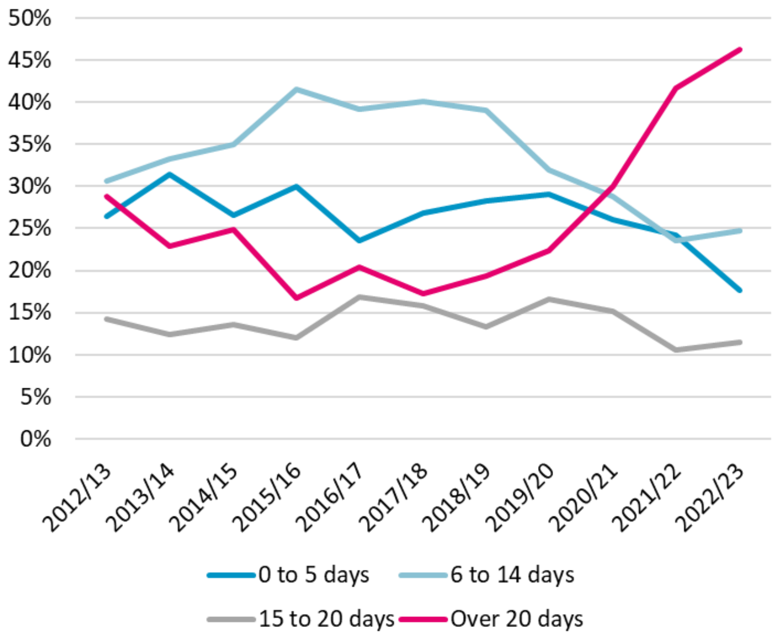


Source: NZIER, based on data provided by Whaikaha

Converting these figures to percentages shows that by 2023/24, nearly half of the NASCs eligible referrals waited over 20 days for needs assessment (see Figure 26 below).

Figure 26 Percentage of eligible NASC referrals waiting for needs assessment, by wait time

2012/13 to 2022/23



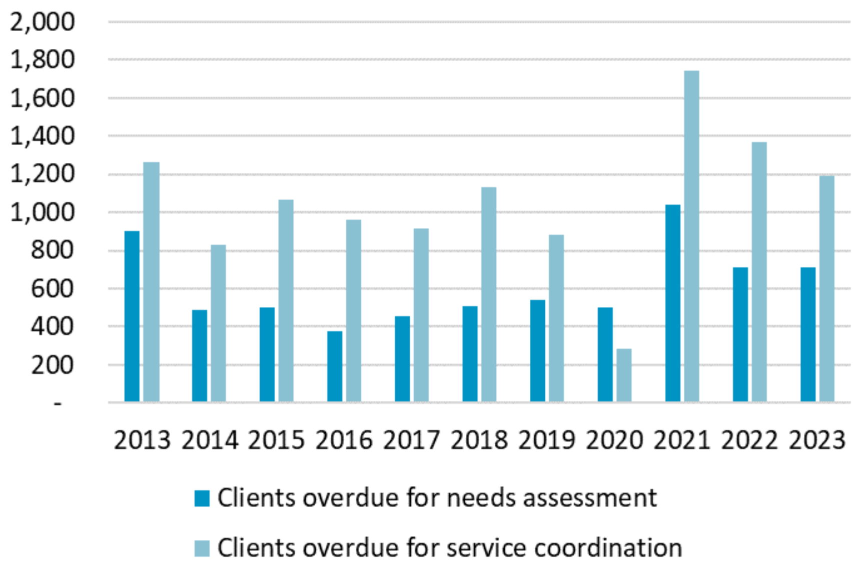
Source: NZIER, based on data provided by Whaikaha

5.2 Clients overdue for needs assessment or service coordination associated with reviews and re-assessments

Unlike the growth in long wait times for needs assessment, the number and percentage of clients overdue for needs assessment or service coordination associated with review or re-assessment grew only slightly between 2015 and 2019, the years during which the cumulative funding shortfall grew. There was a notable increase in clients overdue for needs assessments and service coordination in 2021. Still, at least in the case of service coordination, this appears to be partly explained by services deferred from 2020 when the COVID-19 pandemic impacts. Restrictions would have severely impacted access to services and may also have reduced demand (see Figure 27 and Figure 28 below).

Figure 27 Number of clients overdue for needs assessment or service coordination

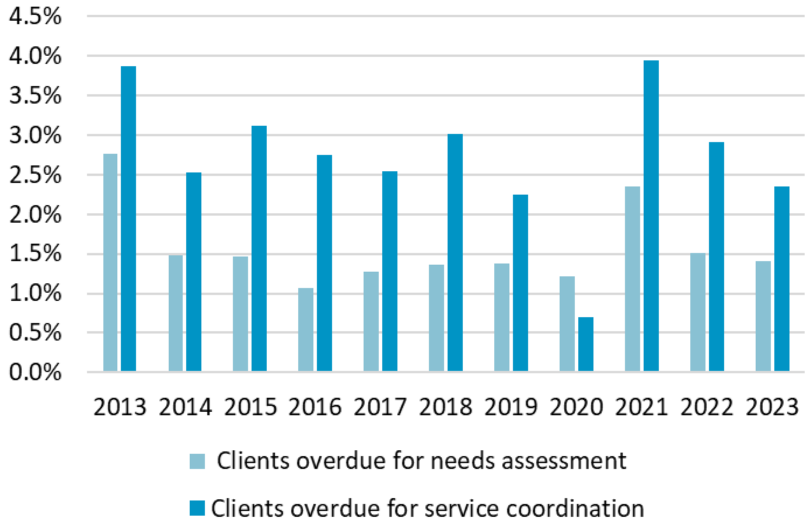
2013 to 2023



Source: NZIER, based on data provided by Whaikaha

Figure 28 Percentage of clients overdue for needs assessment or service coordination

2013 to 2023



Source: NZIER, based on data provided by Whaikaha

These figures suggest that while the NASCs' funding shortfalls have impacted on clients entering the service, through long waits from referral to needs assessment, those already in the service have experienced relatively stable access to services (apart from during the COVID-19 pandemic and restrictions).

5.3 NASC staff salaries and wage inflation pressures

A sample of data was collected from the NASCs to support the analysis of NASC staff salaries. Not all of the NASCs were able to provide all of the data requested. Data that was provided for 2023/24 was incomplete, so our analysis focuses on the period 2013/14 to 2022/23.

Four NASCs provided data sufficient to calculate the salary cost per FTE (full-time equivalent) between 2013/14 and 2022/23. These NASCs currently represent approximately 60 percent of all NASC clients in New Zealand and receive approximately 50 percent of the total management fee funding from Whaikaha.

Detailed results of our analysis were provided to NZNASCA, but excluded from this report due to privacy concerns. Instead, here we summarise our results in terms of percentages only.

Analysis of NASC salary data shows that:

- The average FTE salary cost has increased 11 percent between 2013/14 and 2022/23.
- Over time, the range of salary costs per FTE across the NASCs has grown – from 5 percent of the average salary cost per FTE in 2013/14 to 37.8 percent of the average salary cost per FTE in 2022/23, indicating that while some NASCs may have been able to contain salary growth, others have come under significantly more pressure to increase salaries in order to maintain staffing levels. Indeed, the maximum salary cost per FTE growth has been over 20 percent for the period.

- If the 2013/14 average FTE salary value had risen with wage inflation over the period to 2022/23, the average FTE salary would have been approximately 30 percent higher.
- The average FTE salary shortfall against the inflation-adjusted average FTE salary has been growing significantly in the last four years, a phenomenon that may be expected to lead to increased turnover and vacancies as NASC staff perceive their remuneration has not kept pace with remuneration that may be offered in other roles that have seen adjustments more in line with recent cost of living increases.

Currently, the NASCs are not in a position to make significant adjustments to staff salaries due to the failure of funding to keep up with growth in the client population and the increasing complexity of clients.

Meeting the needs of clients is likely to be unsustainable as the remuneration gap is likely to lead to increased turnover and vacancies, resulting in longer wait times for disabled people to access NASC services.

6 Comparison with Enabling Good Lives sites

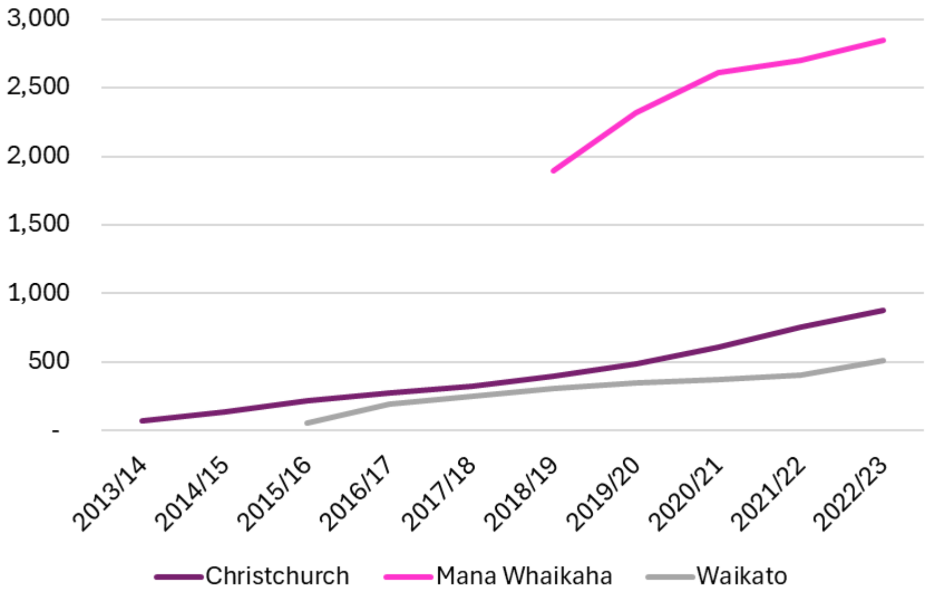
A request for information under the Official Information Act 1982 (the Act) was made to Whaikaha for data on the costs and funding of Enabling Good Lives sites to allow for comparison with the NASCs. Whaikaha provided information pertaining to 2022/23 onwards, and the information request was transferred to the Ministry of Health for information pertaining to the period 2013/14–2021/22.

6.1 Client population

Information provided in response to the OIA request shows that the client population served by the EGL sites has grown steadily since the sites were established, with Mana Whaikaha showing the highest client population and the fastest rate of growth (see Figure 29 below). In 2022/23, the total client population receiving supports at an EGL site had reached 4,233.

Figure 29 Number of people receiving disability supports at EGL sites

2013/14 to 2022/23



Source: NZIER, based on data provided by Whaikaha and the Ministry of Health

These volumes are small compared with the NASCs' client population (less than 10 percent of the total SPA count of the NASCs – see Figure 1), indicating that only a small minority of disabled people receive disability supports at EGL sites. This means the quality of services for disabled people in New Zealand is still very much dependent on adequate funding of the NASCs.

6.2 Operational budget

While the operational budget of the NASCs is referred to as the "management fee" (see section 3.1 (see Figure 30 below), for the EGL sites, Whaikaha and the Ministry of Health simply refer to this as the operational budget. Data on EGL operational budgets was only provided for 2022/23. This shows that the EGL sites received between $2.1 million and $4.2 million each, for a total of $8.5 million in 2022/23.

Figure 30 Operational budgets of EGL sites

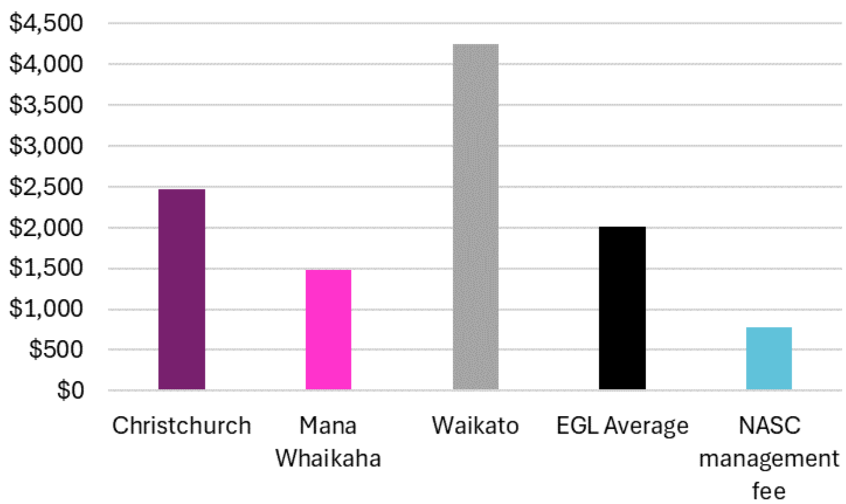
2022/23

Source: NZIER, based on data provided by Whaikaha and the Ministry of Health

This level of operational funding means the average EGL operating budget per client is $2,018. This figure is over two and a half times the NASC management fee per client in the same year. Even Mana Whaikaha, which receives the lowest operating budget per client of the three EGL sites, receives a fee that is nearly double the NASC management fee (see Figure 31 below).

Figure 31 Operational budget per client of EGL sites compared with NASC management fee per client

2022/23



Source: NZIER, based on data provided by Whaikaha, the Ministry of Health, and NASCA

This discrepancy is significant because the NASCs – just like the EGL sites – are expected to provide services that reflect the EGL principles and have responded to this expectation with a range of service improvements (see Section 1). While no data was made available to confirm this, it is likely that the increasing complexity mix of the NASC client populations reflects similar trends within the EGL sites.

6.3 Frontline staff salaries

The average salaries at the EGL sites were provided for years from 2020 to 2022 by the Ministry of Health and for 2023 by Whaikaha for each of the three trial sites and for a range of functions that were identified as common functions for EGL sites and NASCs, but which may, in practice, include a range of roles:

- Connector or other role associated with the collection of information related to the needs of the disabled person
- Funding manager or other role associated with identifying the support and/or funding allocated
- Administrator or other role that provides support to the teams working with the disabled person
- Team leader or other role with supervisory, management or leadership to those staff working directly with the disabled person.

Of these, the function that is directly comparable with specific salary information provided by the NASCs is the "Connector" function, which is equivalent to the function of "Front line assessor/coordinator/facilitator" for which several NASCs reported average salary information for the same years.

Detailed results of our analysis were provided to NZNASCA, but excluded from this report due to privacy concerns. Instead, here we summarise our results in terms of percentages only.Analysis of NASC and EGL salary data shows that the average salary of staff employed in "Connector" functions as reported for the EGL sites shows a significant salary difference compared with frontline NASC staff who perform a similar role. This difference has persisted and even grown since 2020, now amounting to approximately 30 percent more than frontline staff employed by the NASCs. The finding that EGL frontline staff are paid approximately 30 percent more than NASC frontline staff aligns with our finding of a 30 percent shortfall in NASC salaries overall relative to what would have been expected if funding had allowed NASC salaries to keep up with inflation (see Section 5.3). This suggests it is likely that frontline staff at EGL sites are paid market rates and that turnover and vacancies are unlikely to be impacting on service access for their populations. Geographic variations in access to services are a key issue facing the health and disability sector in New Zealand, and public sector funding discrepancies such as this one may, in fact, exacerbate this problem.

7 Conclusion and recommendations

Over the last ten years, the NASCs have seen significant growth in their client population as well as a significantly more complex mix of clients. They have reportedly implemented a range of efficiency improvements to be able to continue meeting the needs of clients while also responding to growing expectations and motivation to implement changes to the way they work with clients to give effect to the principles of Enabling Good Lives.

Despite the establishment and growth of three EGL sites, over 90 percent of disabled New Zealanders receive disability supports from the NASCs. This means access to services and the quality of services for disabled people is still very much dependent on adequate funding of the NASCs.

Our analysis of the impacts of funding shortfalls shows significant salary constraints have affected the NASCs, which impacts on turnover and vacancies and, ultimately, access to services. This suggests the opportunities for efficiency improvements have likely been exhausted, bringing increased access challenges and the risk of deterioration in the quality of services. The data reveals that in the latter part of the last decade, after a sustained period of underfunding that was only partially addressed by later uplifts, the NASCs have had to resort to constraining wage growth for staff. This has likely contributed to the increasing wait times for people entering the service, which is also apparent in the data. An increase in salaries of approximately 30 percent is needed to bring these in line with market rates (what salaries would have been if they had kept up with inflation).

Our analysis of frontline staff salaries across NASCs and EGL sites shows that NASC underfunding is affecting frontline staff employed by the NASCs, whose salaries have not kept up with inflation and are now nearly 30 percent less than the salaries of their equivalent counterparts at the EGL sites.

NZIER recommends that:

- Whaikaha addresses the historic inflation-related shortfall in NASC funding to level the playing field for *all* service providers, support equitable salaries, and reduce NASC turnover and vacancies that contribute to access barriers for the disability community.
- Whaikaha implements a population-based funding formula for both the NASCs and the EGL sites to ensure *all* providers are adequately funded to accommodate future growth in demand for services, inflation, and an increasingly complex mix of clients.

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