



25 MAR 2020

Dear [REDACTED]

On 28 January 2020, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982, information regarding the threshold for income assessments as it relates to the long-term Residential Care Subsidy means assessment.

People who need long-term residential care in a hospital or rest home, may be able to receive a Residential Care Subsidy (RCS) from the Ministry of Health. The Ministry administers the income and asset tests for people who apply for RCS while the Ministry of Health funds it. Further information regarding long-term residential care is available on the Ministry of Health's website here: www.health.govt.nz/our-work/life-stages/health-older-people/long-term-residential-care.

There is also information regarding RCS on the Work and Income website at the following links: www.workandincome.govt.nz/products/a-z-benefits/residential-care-subsidy.html, www.workandincome.govt.nz/map/income-support/extra-help/residential-care-subsidy/index.html

Your questions are addressed in turn below.

- *What is the threshold for income? How is that threshold set?*

RCS is administered under the Residential Care and Disability Support Services Act 2018, and the Residential Care and Disability Support Services Regulations 2020, found at the following link: www.legislation.govt.nz/act/public/2018/0033/latest/LMS41458.html

A financial means assessment is required to determine if a client is financially eligible to receive RCS and the contribution a client is required to make towards the cost of their contracted care services. The means assessment for RCS has two stages, an asset assessment and if required, an income assessment. The assessment must be in accordance with Schedule 2 of the Residential Care and Disability Support Services Act 2018.

There are maximum weekly contribution thresholds (i.e. the most that any person may be asked to pay toward their residential care) which are set by the Ministry of Health, in consultation with the District Health Boards, under the legislative authority of section 53 of the Residential Care and Disability Support Services Act 2018. The maximum contribution is the same for all residents regardless of the type of contracted care services they receive. It is equivalent to the rest home contract price applying to residential care facilities in each territorial local authority region. The maximum contribution rates from 1 July 2019 can be found in the Government Gazette here: <https://gazette.govt.nz/notice/id/2019-go2834>

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- *What is the formula used to determine the subsidy given?*

The formula used to determine the amount of RCS paid by the Ministry of Health (District Health Board) is:

Total cost of care less the amount the client is assessed to pay towards their care by the Ministry is the RCS paid.

Note, if the total cost of care is above the maximum rate then the excess is also paid by the District Health Board and is called a 'Top up Subsidy'.

- *What is the process for assessing that income threshold? Any other information.*

We interpret this question as 'how does the Ministry assess the amount of income a client has to pay towards their care'.

The formula the Ministry uses to calculate the amount payable towards care depends on the type of income the client has available.

The more common types are set out below:

New Zealand Superannuation (NZS)

NZS less Personal Allowance (currently \$45.28 per week) = amount of NZS payable towards care.

E.g. \$379.52 (for a single person) - \$45.28 = \$334.24 payable towards care.

Bank interest

Balance (could be bank account or term investment etc) x interest rate % less tax at a flat rate of 21% less income-from-assets exemption = amount payable towards care from bank interest.

E.g. ANZ Serious Saver \$48,000 x 1.7% = \$816.00 interest less tax \$171.36 = \$644.64

Plus, ANZ Term investment \$190,000 x 2.5% = \$4,750 interest less tax \$997.50 = \$3,752.50

\$644.64 + \$3,752.50 = \$4,397.14 less income-from-assets exemption \$1,005 (for a single person) = \$3,392.14 payable towards care annually.

Private Pensions

50% is payable towards care, 50% is exempt.

Beneficiary income from a trust or estate

This is a complex income stream and is considered by the Ministry on a case-by-case basis, there is no set formula, but allowances are made for tax and trust/estate expenses on the income such as administration fees. The income-from-assets exemption is not deducted as the income is not from the client's own assets.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

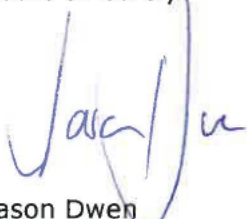
- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter available to the wider public. The Ministry will do this by publishing this letter on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding Residential Care Subsidy, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jason Dwen', is written over a faint circular stamp or watermark.

Jason Dwen
Group General Manager Client Service Support