

- 9 The attached instrument provides that, where a preferred supplier arrangement is in place, the amount of the grant should be the least amount required under the optical contract to meet the applicant's particular immediate optical needs.

### Implementation dates

- 10 MSD is planning a staggered rollout which will commence in the Southern region from 5 May 2014. This will be extended to the rest of New Zealand from 30 June 2014.

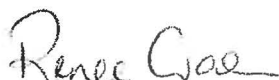
### Removing contact lenses from the Recoverable Assistance Programme

- 11 As discussed at the agency meeting on 17 March 2014, a preferred supplier agreement is not in place for contact lenses. A consequential amendment to the Recoverable Assistance Programme is required to remove contact lenses as an item for which recoverable assistance can be claimed.
- 12 The cost of contact lenses for medical purposes can be claimed through the Ministry of Health. In any other situations if there is an emergency need, consideration can be given through the Special Needs Grant Programme. The Transition to Work Grant Programme also provides assistance to people moving into employment so contact lenses, if they are an essential cost, could be accessed under this programme.

### Recommended actions

It is recommended that you:

- 1 **sign** the attached instrument amending the Recoverable Assistance Programme, so that it aligns with the new preferred supplier arrangement for optical goods and services  
**agree** / disagree
- 2 **arrange** for a copy of the attached instrument to be tabled in the House of Representatives  
**agree** / disagree
- 3 **note** that Officials will arrange for the publication of the attached instruments in the *New Zealand Gazette*.



Renee Graham  
General Manager  
Income Support, Employment and Skills

7-5-14

Date



Hon Paula Bennett  
Minister for Social Development

13/5/14

Date

## Recoverable Assistance Programme Amendment 2014

Pursuant to 124(1)(d) of the Social Security Act 1964, the Minister for Social Development makes the following instrument.

### Contents

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| 3 | Principal programme   | 1 |
| 4 | Clause 11.1 amended (Dentures, Spectacles etc., and Hearing Aids) | 1 |

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### Instrument

- 1 **Title**  
This instrument is the Recoverable Assistance Programme Amendment 2014.
- 2 **Commencement**  
This instrument comes into force on the day after it is made.
- 3 **Principal Programme**  
This instrument amends the Recoverable Assistance Programme (as established and approved on 15 February 1999)<sup>1</sup> (the **principal programme**).
- 4 **Clause 11.1 amended (Dentures, Spectacles etc., and Hearing Aids)**  
Replace clause 11.1.1 with:  
“11.1.1 The Chief Executive may grant a Payment of up to the following amount to an Applicant for any of the following purposes:  
“(a) \$1,000 towards the cost of obtaining and fitting dentures including any examination required:  
“(b) \$1,000 toward the cost of obtaining and fitting a hearing aid including any examination required:

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<sup>1</sup> New Zealand Gazette, 25 February 1999, No. 23, page 567.

“(c) unless paragraph (d) applies, \$1,000 towards the cost of obtaining spectacles including any eye examination, fitting, and adjustment required:

“(d) if section 124(1BA) of the Act applies to the Applicant, the price determined by the contract with the preferred supplier under section 125AA(3) of the Act for the supply of a spectacle frame, lenses, care products, spectacle protection, eye examinations, fitting, and adjustment.”

Dated at Wellington this 13<sup>th</sup> day of May 2014

  
Minister for Social Development

#### **Explanatory Note**

*This note is not part of the instrument, but is intended to indicate its general effect.*

This instrument, which comes into effect on the day after it is made, amends the Recoverable Assistance Programme under the Social Security Act 1964 (the **Act**) to recognise that certain items for which recoverable assistance is available for optical needs may be supplied by a preferred supplier with whom the Ministry has entered into a contract under section 125AA of the Act. It also removes the ability to grant assistance towards the purchase of contact lens as assistance for that purpose is available through Ministry of Health funding.



## Whiteware and optical procurement programmes

Date: 21 November 2014

Report no.: REP/14/11/861

Security level: IN CONFIDENCE

Priority: Medium

### Action Sought

Hon Anne Tolley For information  
Minister for Social Development

### Contact for telephone discussion

| Name          | Position   | Telephone | 1st Contact                         |
|---------------|--|-----------|-------------------------------------|
| Lynley Speers | Programme Manager,<br>Procurement Solutions Team           | 9(2)(a)   | <input checked="" type="checkbox"/> |
| Warren Hudson | Deputy Chief Executive Advisor<br>Organisational Solutions | 9(2)(a)   |                                     |

Report prepared by: 9(2)(a), Policy Analyst

### Minister's office comments

- Noted
- Seen
- Approved
- Needs change
- Withdrawn
- Not seen by Minister
- Overtaken by events
- Referred to (specify)

### Comments

Date received from MSD

21 NOV 2014

Date returned to MSD

28 NOV 2014



# report

Date: 21 November 2014 Security Level: IN CONFIDENCE  
To: Hon Anne Tolley, Minister for Social Development

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## Whiteware and optical procurement programmes

### Purpose of the report

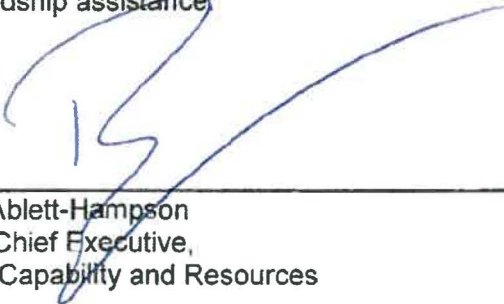
- 1 The purpose of this report is to:
  - provide you with information on the whiteware and optical procurement programmes the Ministry of Social Development has in place for people applying for assistance.

### Recommended actions

It is recommended that you:

- 1 **note** that the Social Security Act 1964 was amended as part of phase two of the welfare reforms to enable the Ministry of Social Development to contract preferred suppliers to deliver cost effective and quality goods and services to clients
- 2 **note** that the Ministry of Social Development has entered into preferred supplier agreements with suppliers of whiteware and optical goods and services
- 3 **note** that the operation of the preferred supplier agreements for whiteware and optical goods and services have been well received by service lines, clients and benefit advocates
- 4 **note** that there has been an increase in the uptake of whiteware since the preferred supplier agreements were put into operation but that this is expected to reduce as clients are now being supplied with new washing machines which are less likely to require replacement and repairs
- 5 **note** that applications for optical goods and services have remained at similar rates to applications prior to implementation of the preferred supplier agreements
- 6 **note** that the Ministry of Social Development is confident of meeting the forecasted <sup>9(2)(b)(ii)</sup> <sub>9(2)(b)(ii)</sub> reduction in client debt over five years
- 7 **note** that the Ministry of Social Development recently won an award for The Best Example of Socially Responsible Procurement from the Chartered Institute of Procurement and Supply (CIPS) Australasia

- 8 **note** that the Ministry of Social Development is in the initial stages of considering future procurement arrangements including medical alarms, and dental payments through hardship assistance.



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Rupert Ablett-Hampson  
Deputy Chief Executive,  
People, Capability and Resources

21/11/14  
Date



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Hon Anne Tolley  
Minister for Social Development

27-11-14  
Date

## **Changes to the Social Security Act 1964 enable procurement arrangements which help reduce client debt to the Crown and provide a better deal for clients**

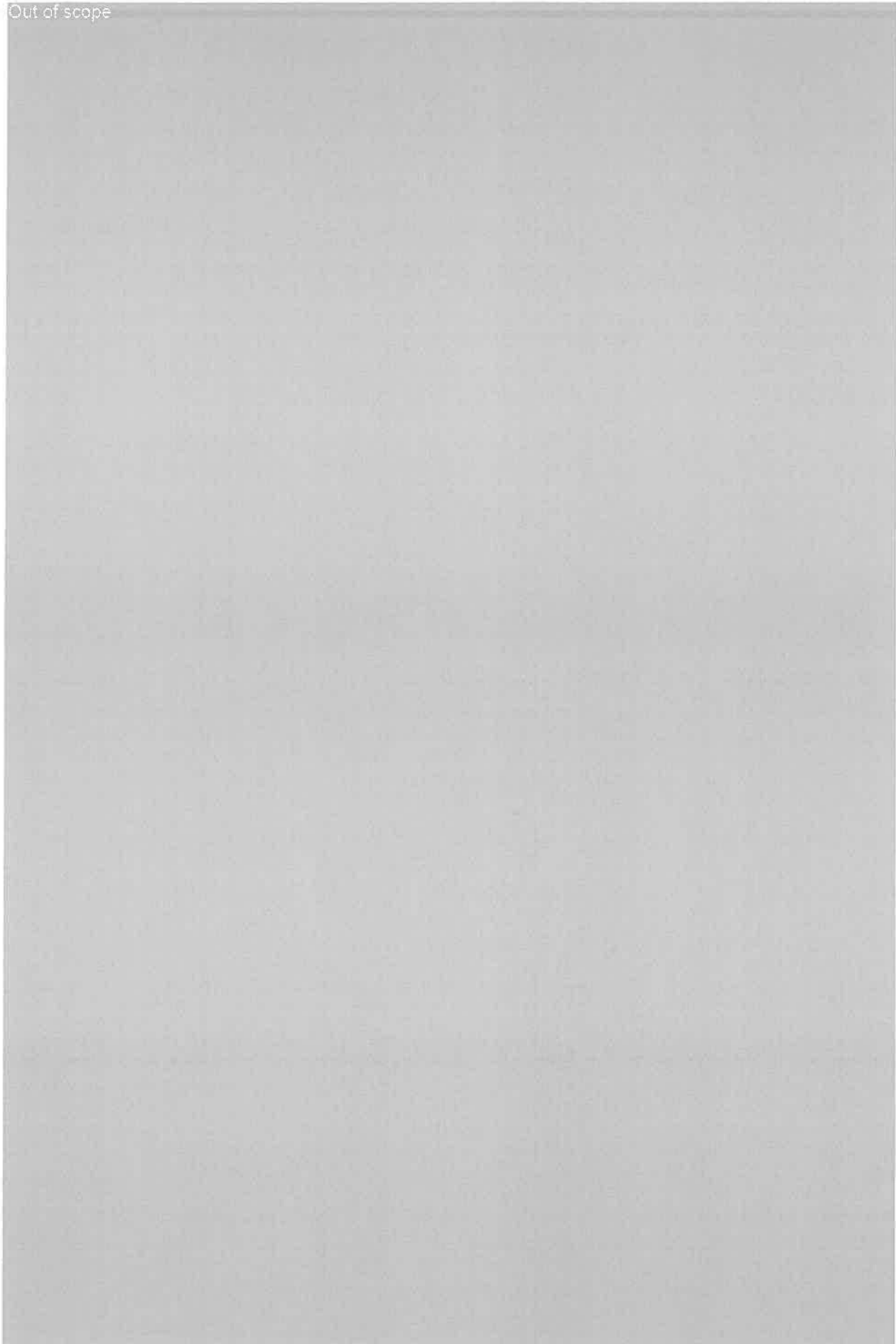
- 2 Where eligible, beneficiaries and people on low incomes can receive recoverable assistance to pay for immediate and essential items that cannot be met by their usual income. This assistance is paid back through deductions to their weekly benefit entitlements, or usual repayment channels.
- 3 As part of phase two of the welfare reforms, the Social Security Act 1964 was amended on 16 April 2013 to enable the Ministry of Social Development (MSD) to contract preferred suppliers to deliver cost effective and quality goods and services to clients. Specific details are set out in a Ministerial Direction issued under section 125AA of the Social Security Act.
- 4 The objectives of the procurement initiatives were to utilise MSD's buying power in the market and:
  - reduce client debt to the Crown
  - reduce cost, and therefore debt to the client
  - reduce complexity and simplify the process for frontline staff and clients
  - offer durable, fit for purpose products and services.
- 5 Whiteware and optical products were identified as the initial areas of social assistance expenditure in which MSD would introduce preferred supplier arrangements.
- 6 It is expected that this initiative will reduce client debt to the Crown by \$26 million in out years and streamline administrative processes.
- 7 Whiteware was selected in order to help eliminate clients purchasing lower quality secondhand whiteware that would inevitably break down, requiring the client to borrow further money for a replacement. In addition, whiteware was also selected to increase transparency as there had been some instances of Work and Income vouchers not being used for their intended purpose.<sup>1</sup>
- 8 Optical products were selected because they are a discrete area of spend for MSD but are a costly process for clients. The average price at the time for MSD clients was over \$510 per application for assistance for working age clients, and in excess of \$570 on average for New Zealand Superannuitants. It was suspected that the price of glasses was increased due to client desire for non-essential add-ons, expensive frame selections and up-selling by some suppliers.
- 9 Both whiteware and optical goods and services underwent a rigorous tendering process in the open market to secure preferred suppliers.

Out of scope



<sup>1</sup> An undercover investigation in 2010 found that some second-hand dealers were allowing clients to use vouchers provided by Work and Income to purchase other items or exchange for cash instead of essential whiteware.

Out of scope






Out of scope



**Six preferred suppliers provide optical goods and services to MSD clients throughout New Zealand**

9(2)(b)(ii)



21 MSD estimates that 97 per cent national coverage has been achieved. It is likely that a very small number of clients who have utilised optical grants in the past (less than 150) will reside in non-coverage areas, based on historical data. These clients can either continue to use non-preferred suppliers in their area or travel to areas where preferred suppliers are available (they need to meet their own travel costs).

22 MSD contracted with the preferred suppliers for the following goods and services:

- eye examination
- single vision, bi-focal or progressive lenses
- frames (ability for client to use existing frames if applicable)
- ready to wear reading glasses
- a two-year warranty
- full fitting and adjustment services.

- 23 Optical goods and services were implemented in a two stage process. The Southern Region (from Timaru south) piloted the preferred supplier arrangement in May 2014 and national implementation occurred from 30 June 2014.

**A range of package rates are available for clients, and special provisions are in place for MSD clients with high clinical needs**

- 24 Clients have access to package rates that include the eye examination, frames and lenses. The rates payable for the packaged pricing are set out in the table below:

| Appropriate package | Cost   |
|---------------------|--|
| Single vision       | maximum of \$169 incl GST (applicable for around 50% of clients) |
| Bi-focal vision     | maximum of \$245 incl GST (applicable for around 10% of clients) |
| Progressive vision  | maximum of \$249 incl GST (applicable for around 30% of clients) |

- 25 The packaged rates are not applicable for all clients. It is estimated that between 8 - 10 per cent of clients require additional services due to very high clinical needs<sup>2</sup>. Clients in this situation are provided with a quote to return to our service centre to apply for the additional funding needed to meet their need.

**Optical procurement has been received positively by clients, staff and preferred suppliers**

- 26 Implementation of the preferred supplier agreement has resulted in a more streamlined approach for both clients and staff. Clients are no longer required to go and source quotes prior to applying for assistance from MSD.
- 27 Once a client has applied and been granted a loan, they are issued with a pre-loaded payment card (to the value of \$249) to take to their chosen supplier. Following their eye examination, the client can then pay for the examination plus any goods they need with the payment card. The only exception to this is where the optometrist determines the client has a high clinical need, in which case they will need to apply for additional assistance through MSD prior to ordering their goods (around 8 per cent of clients).
- 28 Of those clients who have accessed assistance for optical goods and services assistance, feedback has been generally positive. Some of the comments include:
- I have been needing to have my eyes checked for some time now but couldn't afford it. I knew it would come to hundreds of dollars as I definitely needed glasses. When I read about this new scheme through Work and Income, I decided now was the time. Sure enough, I did need glasses. The people were lovely – both at the optometrist and at Work and Income.*
  - I was really surprised. There was a modern range of frames to choose from and my glasses only cost \$169 – I asked the optician if they had made a mistake because that is way too cheap. They assured me that was all that was needed. I had my payment card and could pay there and then. In the past I have felt shamed at having to ask for a quote and go back and apply for assistance to meet the cost –*

<sup>2</sup> High clinical needs is where the clients vision is outside of normal optical ranges, for example - +or-6 or client suffers from a specific need e.g. severe astigmatism.

*not this time. It certainly rates as one of my better experiences – no mucking around backwards and forwards this time either.*

29 Feedback has also been positive from client advocate groups.

#### **Results to date of the optical goods and services procurement initiative**

9(2)(b)(ii)

31 To date the roll out has not brought about any unintended consequences. There have been some issues with clients wanting to top up the maximum entitlement with their own money in order to purchase unnecessary upgrades and clients believing they have up to \$249 to spend when the policy is clear that the amount is based purely on clinical need. However, these issues were anticipated and communications material helps to clarify entitlements for clients.

**Effect of procurement arrangements on the forecast** 9(2)(b)(ii) **reduction in client debt in five years**

9(2)(b)(ii)

#### **Recognition of the procurement programme at the Chartered Institute of Procurement and Supply Australasia Awards**

33 In October, MSD's procurement programme won a cross functional team award under the category *Best Example of Socially Responsible Procurement* at the Chartered Institute of Procurement and Supply (CIPS) Australasia Awards

34 CIPS is an international group that is for private and public services.

#### **Future plans for procurement**

35 MSD is currently in the initial stages of considering options for future procurement arrangements. These include procurement arrangements for medical alarm payments through the disability allowance and dental payments through hardship assistance.

File ref: A7807867

Out of scope

