



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

# **Disability Support Services**

**Community Group Home Pricing Model  
Information Session  
6 June 2025**



# Welcome and opening Karakia

## Welcome

- Introduction to session
- Technical information
- Questions & answers
- Presenters:
  - Al Hill
  - Catherine Poutasi
  - Phil Berghan-Whyman
  - Rachael Burt
  - Sarah Morgan

Theme for Samoa Language Week:

**Ia malu lou sã. Folau i lagimã**

**‘A well-grounded self, is a successful self’.**



## Background

Disability Support Services has been making good progress to stabilise the system and respond to the 7 recommendations of the 2024 Independent Review.

Recommendation 2 proposed that Residential Funding was frozen for the 24/25 year pending a rapid review of residential pricing and contracting models.

This was in response to the concern that pricing arrangements for residential care were complex, inconsistent and lacked transparency.

### INDEPENDENT REVIEW OF DISABILITY SUPPORT SERVICES

A Report to provide advice on the actions that should be taken immediately  
in the 2024/25 financial year to better manage the increasing cost pressures  
faced by Whaikaha – Ministry of Disabled People

28 June 2024

Phase One  
Report

## Background

The aims of the rapid review were to advise on a new pricing model that would:

- Deliver a **simpler** pricing system
- Provide greater **transparency** between costs, prices paid and services delivered
- Increase **consistency** of the pricing approach and prices paid
- Give providers greater financial **flexibility** within their funding envelope

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## Rapid review of residential funding

The initial pricing model that was developed reflected the following features:

- **Fewer, broader banded rates** – this was to reduce the over 2,000 rates that have currently been paid to Community Group Home providers so that there would be 6 prices in each region and 24 nationally.
- **Consolidating multiple revenue streams**, including AIPs and sleepover funding, so that providers could see a complete price.
- **Prices that reflected costs on average** - but were not cost based.
- **Increasing transparency and consistency** – providers would have greater certainty about the revenue they would receive, and to make the bands more consistent across people in residential care, regions, and providers. It also aimed to give providers more flexibility to manage within the amount paid.

DSS engaged small, medium, large providers to focus on current issues about funding of residential care and what could be done to improve things.

## Pricing model testing

DSS confidentially tested pricing assumptions with a mix of DSS-contracted Community Group Home providers to make sure the model reflected reasonable costs.

Pricing assumptions were tested across three key areas:

### Overheads and IT Costs

- What is included in your management overheads (e.g. allocation of central costs)
- The proportion of costs to total staffing costs
- The scale and composition of annual and recurring IT costs.

### Care / Support worker costs

- How care hours / rosters are translated into staffing budgets.
- The different rostering / staffing approaches employed for larger versus smaller houses.

### Property arrangements

- Whether organisations owned or leased the properties it used for group homes.

This feedback informed the final pricing model that was presented to Cabinet earlier this year.

**Overall, there was general support for the new approach.**

- The rationalisation of current prices into banded rates where an individual's funding allocation remains based on support needs and housing situation.
- Recognition that there was a need to continue Individual Rates, but limited to very high and very low rates which has a different (off-model) approach.
- Increased flexibility for providers in delivering support and managing changes within their total funding instead of having to match to costs for individuals
- Staffing assumptions that include a level of 24/7 cover within all homes, including sleepovers and minimum staffing during the day.
- The intention of annual pricing reviews of the costs in delivering services (which will inform Government funding decisions)
- The underpinning pricing approach for the assumptions that use objective and externally sourced data where possible e.g. the median rent valuations, a 5-year furniture and fit out turnover, and use of the Housing Economic Survey to value cost of food.



# What is the purpose of the new pricing model?

## Fair and Reasonable Cost

The refreshed pricing system is based on a bottom-up build for a **fair and reasonable cost** of providing Residential Care in Group Homes services – making the system **fairer** for disabled people, providers, and DSS.

## Prices /Funding Levels are not Costs

DSS is looking to pay fair prices (funding levels) to providers that cover reasonable costs.

DSS will now pay a provider an **‘average’ price** that should cover the reasonable costs of providing care, but that **is not the same** as an individual’s cost.



## Key points

- 1** The refreshed pricing model means there will be one tool that supports nationally consistent residential pricing.
- 2** The price DSS pays for care is informed by, but different from, the costs incurred by providers. Prices/funding levels reflect costs on average, but are not reflective of every cost input encountered by a provider for each individual.
- 3** Disabled people in residential care should not notice any changes. The supports being provided today will still be able to be provided tomorrow. Care standards will be maintained and no provider will receive less funding in the 25/26 FY through implementation of the new pricing model.
- 4** There will be some people with exceptional needs or circumstances that require an Individual Rate. Individual rates will now be an exception. This will still require a discretionary funding approach.
- 5** DSS will support providers through the transition to maintain continuity of care and service capacity.

# Key definitions

The following table provides definitions for some key terms that will be used throughout the presentation and are important to understand in the context of the Residential Care in Community Group Homes Pricing Model:

Term	Definition
Cost	The current costs incurred by Residential care providers to deliver DSS funded services based on their existing operating structures.
Price	The price DSS is prepared to pay for DSS funded Residential Care in Group Homes services or funding level.
Pricing Model	The pricing model developed by DSS that estimates the price DSS should pay for residential group home supports, based on a range of accommodation and support inputs. This model is used to set and update the banded rate prices.
Banded Rates	The refreshed Model generates a set of Banded Rates which are the list of 'average' prices based on a range of estimated costs for the majority of the Residential Care population. There are six possible prices for each of the regions (resulting in 24 prices).
Band Allocation Tool	The Band Allocation Tool is the interface that translates needs assessments into bands. NASCs will use this tool to allocate a price for an individual.
Regions	The banded rate 'prices' are set for the following four regions: Northern, Midlands, Central and Southern. Individuals residing within these regions will be assigned one of six possible prices to cover their needs.

# What is included in the refreshed pricing model?

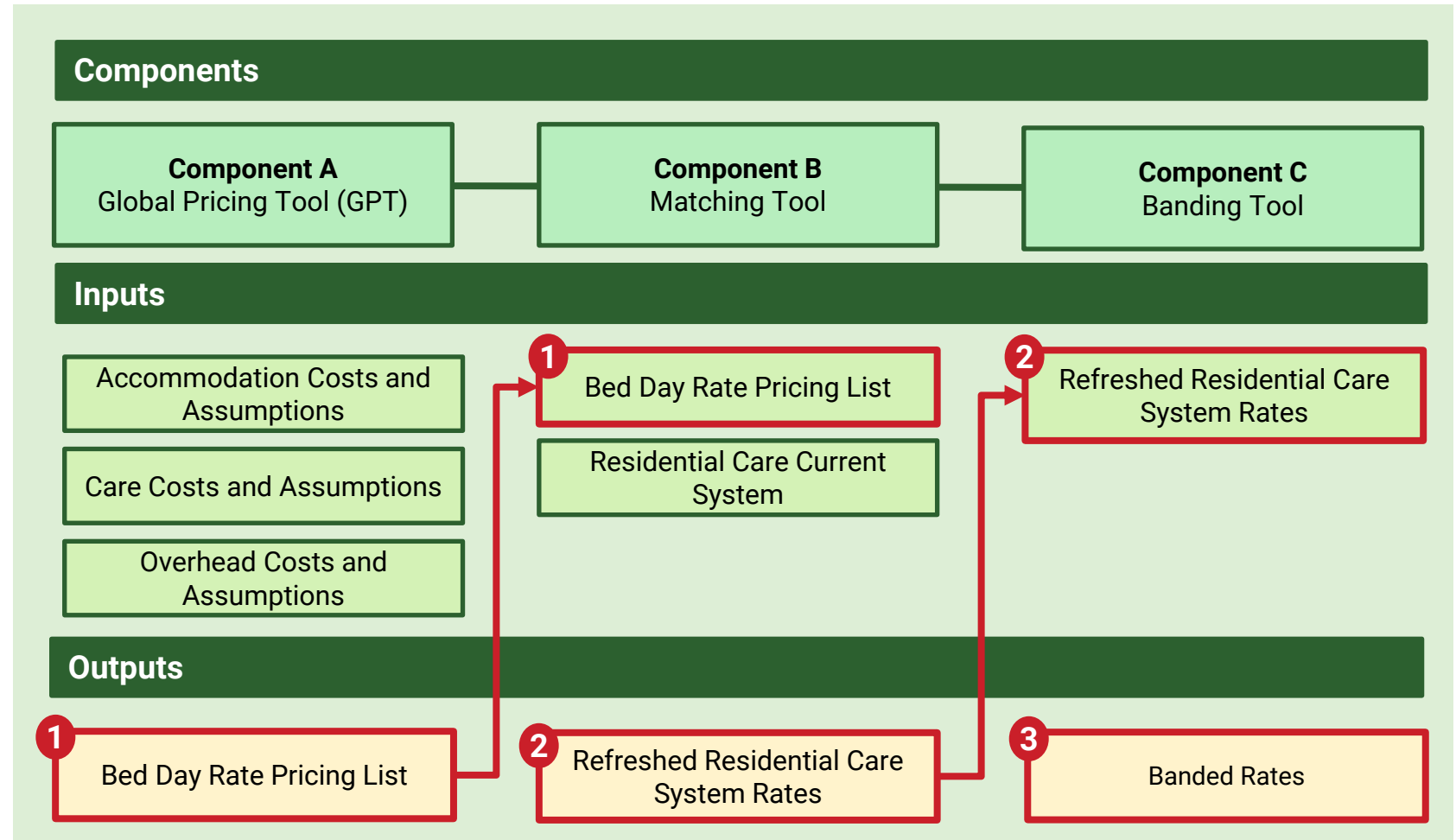
The diagram depicts the structure of the refreshed residential care in Community Group Home Pricing Model.

At a high-level, this Model carries out the following steps:

1. Estimate the costs of providing care for the majority of individuals (90%)
2. Derive and apply a price for each individual
3. Group resulting prices into bands

**Care standards will be maintained and no provider will be financially worse off in 25/26 FY.**

The supports being provided today will still be able to be provided tomorrow



# How does the model estimate Residential Care costs?

The existing Transparent Pricing Models (TPMs) are out of date and inconsistently applied, necessitating a reset and re-baselining of the Residential care in Group Homes cost base.

These prices cover the costs required **for the majority of individuals but excludes extraordinary support requirements** which is part of an exceptions process.

There is a difference between the **cost of providing care** to an individual and the **banded rate price paid** to a provider.

Cost groups	Staffing	Client Related Expenses	Core Housing Costs	Maintenance & Utilities	Provider Overheads
Main cost components	Salaries & wages (Support worker, care coordinator, etc)	Food	Market rent by location	Insurance	Management staff
	Pay equity (to date)	Laundry	Furniture and fitout	Property maintenance	Admin & accounting staff
	Sleepovers / Wakeovers	Specialist services & therapy	Household supplies	Telecom	IT costs
			Transport Costs	Water & Power	
				Facilities management	

*Note: The Model does not account for exceptional prices (top and bottom 5%) or exceptional costs*

# How do existing rates for individuals transition to the refreshed prices?

To map individuals in care from existing prices to revised prices, individuals were matched based on known characteristics to a new price using the following steps:

## Existing Person in residential care with Existing Rate

Existing Person	Region	House Size	Rurality	Existing Day Rate	Care Ratio
A	Northern	3-bed	Urban	310	Unknown

### 1 Identify known data

Identify known care information about each individual in care (i.e. regional location and group home size).

#	Region	House Size	Rurality	Match?
1	Northern	3-bed	Urban	Y
2	Midlands	2-bed	Rural	N
3	Northern	3-bed	Urban	Y
4	Southern	2-bed	Urban	N
5	Northern	3-bed	Urban	Y

### 2 Match to closest day rate

Use the known existing daily price paid by individual to identify the closest matching day rate.

#	Region	House Size	Rurality	Revised Day Rate	Care Ratio	Closest Match?
1	Northern	3-bed	Urban	400	2:3	N
3	Northern	3-bed	Urban	327	1:3	Y
5	Northern	3-bed	Urban	250	1:4	N

### 3 Determine unknown data

Determine the data that most closely fits with the known data and existing price paid.

#	Region	House Size	Rurality	Revised Day Rate	Care Ratio	Match?
3	Northern	3-bed	Rural	327	1:3	Y

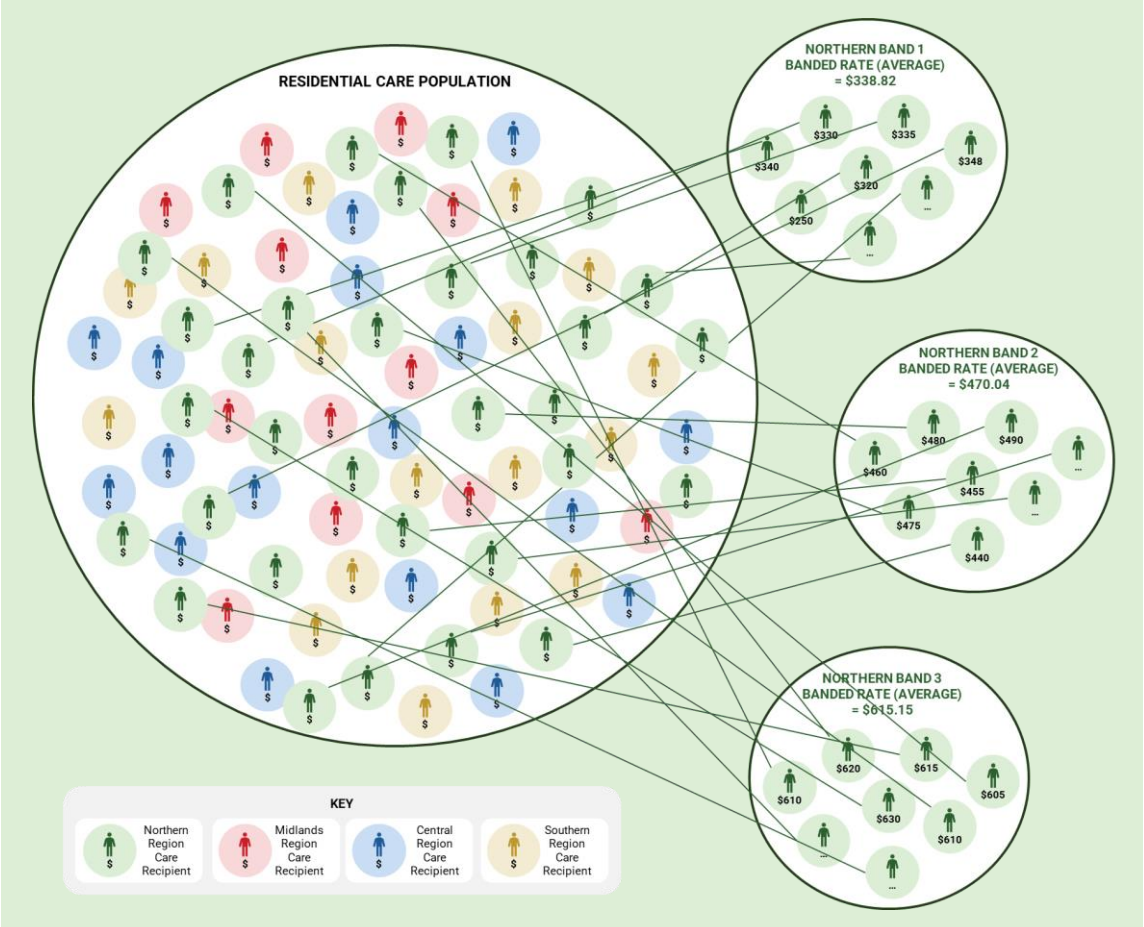
Existing DSS assessment data does not contain all details required to precisely match individuals with rates, but using averages and employing known data points provides a reasonable starting point. This process embeds parts of the existing system but the new allocation model will mitigate this risk over time.

# How does the model group individual rates into prices?

The range of individual rates (daily cost of accommodation and daily care costs) for the existing population are grouped into six bands for each of the four regions (Northern, Midlands, Central and Southern) from which a weighted average price, referred to as the 'banded rate' is calculated.

Individuals in each region will be assigned one of **six** possible banded rates to cover their needs.

The banded rates therefore reflect an **average price** for a range of care and support needs which provides greater pricing stability.



## Price List

### Northern

Price 1

Price 2

Price 3

Price 4

Price 5

Price 6

### Midlands

Price 1

Price 2

Price 3

Price 4

Price 5

Price 6

### Central

Price 1

Price 2

Price 3

Price 4

Price 5

Price 6

### Southern

Price 1

Price 2

Price 3

Price 4

Price 5

Price 6

# Pricing model treatments

Item	How its treated in the new pricing model
Pay Equity (Advance Interim Payments).	Pay equity is now included in the labour costs that make up the rate.
Sleepovers for Community Residential	Sleepovers are now included in the single rate.
Day Activity Contributions. Additional payment for those people (primarily 65+) who do not attend day services of vocational training.	Day Activity Contributions are incorporated in funding for 24-hour cover.
Client Contributions. Contributions made by disabled people (directly or indirectly) to the cost of CGH supports from their Superannuation, Supported Independent Living, or other benefit payment.	Rates are client contribution inclusive.
GST	No change.



# Pricing model treatments

Item	How its treated in the new pricing model
Residential based Respite Services.	Not included. Funded another contract.
Day Services and Vocational Services.	Not included. Funded another contract.



## What does the refreshed model mean for Providers?



Renewed confidence in the Residential Care in Group Home pricing tools



Clear link between prices paid (funding levels) and services delivered



Resets the commercial and contractual relationship with DSS



Flexibility in how services are provided to tailor support to the individual within their funding envelope



Greater financial certainty and consistency due to reliability of the re-baselined costs

# Transitioning to the new pricing model

Our transition to the new pricing model is informed by the following Principles

- ❑ **Continuity of care:** Disabled people in residential care will 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, where appropriate.
- ❑ **System efficiency:** 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 for DSS.
- ❑ **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.

## **Transitioning to the new pricing model**

**The Minister of Disability Issues also directed that:**

**No Community Group Home provider will receive less funding under  
implementation of the new  
Pricing Model for the 25/26 financial year.**

# Transitioning to the new pricing model

- Current contracts expire 30 November 2025.
- We will be providing more information about the new procurement approach on **10 June 2025**.
- These sessions will be recorded and made available if you cannot make this time.
- DSS will be issuing new contracts that reflect the new Community Group Home Pricing Model.
- These prices will be reflected in new contracts and payment systems from 1 December 2025.
- Please contact your DSS Portfolio Manager if you have further questions.

## **Next steps**

Please attend the 10 June webinar to find out more about our procurement approach and panel.



# Questions & Answers



**Email:**

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# Closing Karakia

Kia whakairia te tapu  
Kia wātea ai te ara  
Kia turuki whakataha ai  
Kia turuki whakataha ai  
Haumi ē. Hui ē. Tāiki ē.