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Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment
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Via e-mail: incomeinsurance@mbie.govt.nz

Tēnā koutou

Consultation Submission: Proposed New Zealand Income Insurance Scheme

Thank you for the opportunity to comment on the proposed New Zealand Income Insurance Scheme.

The General Practice Owners Association (GenPro) is a national not-for-profit membership association representing the contracted providers of essential general practice and urgent care services across New Zealand. It is the only such national representative association with a direct mandate from its members. There are approximately 1,000 such businesses across New Zealand, including:

- Solo GP or small partnership type owner operator general practices
- Charitable community trust “owned” essential general practices – predominantly in more rural and remote communities
- General practices which are owned or part-owned as part of an overarching corporate entity
- General practices which are owned by nurses, practice managers and other general practice staff

GenPro’s Mission is to promote and advocate for sustainable, responsive and high-quality general practice services for the population of New Zealand. These are essential services upon which our local communities are reliant and which, for many including rural and remote communities, are quite literally, a lifeline.

I am pleased to provide this submission on behalf of GenPro members.

General Comments:

The desire to address the current inequity between the ACC cover payable for workers following an injury compared to those who suffer serious long-term ill-health is to be applauded. As is the desire to support those, who through no fault of their own, find themselves unable to work and potentially even unable to care for their dependents and loved ones.

GenPro’s objectives and mandated role do not directly cover the social merits or otherwise of the proposed income insurance scheme and we therefore do not comment further on those aspects here.

However, the potential impact of the proposals upon the sustainability of essential general practice businesses is very much within GenPro’s purview and the following comments are provided in this regard.

Unintended Consequences:

GenPro would urge caution with regards the potential unintended consequences of such a scheme as well as its affordability for many.

Now, and for the foreseeable future, New Zealand has a significant workforce shortage. Nowhere are the impacts of this shortage felt more than in health and specifically general practice. Under such a scenario of maximum employment GenPro believes it is difficult to foresee a material level of redundancies and even more difficult to foresee more than a minimum number of redundant employees not being able to secure subsequent alternative employment.

That the scheme could serve as an incentive for redundant employees to defer their search for alternative employment or training should be carefully considered.

The potential for broader abuse of such a scheme is also of concern. A funded redundancy option as an alternative to, say, appropriate management of poor performance or the provision of re-training, could be perversely, an appealing option to both employer and employee alike.

GenPro believes that evidence from similar overseas models, suggests costs can significantly balloon in a very short space of time. This would suggest a high level of unforeseen demand or, as described, a high potential for abuse.

Affordability and impact upon recruitment and retention:

The affordability of the levy for both employees and many employers requires careful analysis. GenPro believes that there is significant potential for unintended consequences with potentially material detrimental impact.

a. Employers:

The funding model underpinning essential general practice services is of importance to emphasise within this submission. At a simple level there are two main income components:

1. Approximately 50% of income is derived from a government subsidy towards the cost of services for each patient that is registered with the general practice. The level of the subsidy is set annually and is determined by the Ministry of Health without negotiation with contracted providers of services
2. Approximately 50% of income is derived from fees (or co-payments) payable by individual patients. The level of fees chargeable are capped by the Ministry of Health.

The above income scenario will vary for each general practice according to factors such as the demographics of the population they serve. However, what does not vary is the fact that each of the main two sources of income are controlled and limited by the Government (or their DHB/equivalent agents).

This is very important to note because it means that across the country there are approximately 1,000 general practices providing essential health services to every community – but who do not have the ability to increase their income to fund increases in their expenditure (see explanation of general practice funding – “The Double Whammy of the general practice funding framework”¹). Additionally, unlike “public” or state-owned organisations fulfilling a similar role (such as DHB-run local hospitals), general practice service providers do not have the ability to fallback onto Government funding to underwrite in-year deficits or unplanned expenditure.

Therefore, the analysis and planning for the introduction of the proposed income insurance scheme, must be based on the principle that the Government will be required to fund the employer levy for general practice businesses.

b. Employees:

Many healthcare workers are low-paid and/or subject to unfair inequity between their pay and that of their equivalent colleagues elsewhere in the same sector. For example, nurses employed within general practice are, as a result of the government's funding framework for general practice, funded at a level which is significantly lower than their District Health Board-employed hospital colleagues. This lack of pay parity has a significant recruitment and retention impact upon general practices – as well as almost all other primary and community health providers providing essential services to every community across the country.

The addition of an extra levy deduction from monthly pay packets will inevitably increase the exodus of such nurses from primary care in favour of higher-paid hospital positions. A situation that will further increase the likelihood that essential general practice services, for many communities, will be reduced or closed altogether.

For many staff, there may not be a choice. Those who may be stuck in already low-paid but essential and high-value work, such as health care assistants across primary and community care, will likely be pushed further into poverty due to the extra deductions.

Separately, the proposed scheme as it stands does not address contracted/self-employed persons. This is of relevance to the health sector as a high proportion of General Practitioners are contracted General Practitioners - meaning they operate as self-employed. In this respect they could potentially be liable for both the employee and employer levy. However, as outlined previously the risk of being made redundant and unable to find additional employment/work is incredibly low within the health sector and specifically the general practice profession.

Inequity:

GenPro believes the proposals may unintentionally create a number of inequities.

Paid parental leave for the self-employed can be paid to those eligible for up to 26 weeks at a current capped amount of \$621.76 gross per week. In contrast, under the proposed scheme, persons made redundant can be eligible for 80% of their income up to \$100,000 (\$1500 gross per week) and for 7 months typically with provision to extend up to 12 months. This creates a significant inequity for women (who are typically the majority to take paid paternity leave) when compared to persons being made redundant.

In regard to the health sector, a majority of general practitioners are women (approx. 58% of the workforce - RNZCGP workforce survey 2020) and the vast majority of nurses working in primary care (95% plus) are also women. The proposed scheme as it stands may therefore inadvertently contribute further to deepening of pay inequity between male and female workers.

Similarly, the proposed cover for illness may create a further inequity. For employees on a low income (e.g., \$44,000 p.a. gross), 80% of income in the event of non-ACC illness provides a gain of \$6000 - \$10000p.a gross compared to a supported living benefit with accommodation supplement. However, this projected gain does not take into account the loss of 'working for families' financial support if the individual is unable to work at all. GenPro believes it is important that scenarios for low-income wage earners are considered carefully as this group may not substantially benefit from the scheme yet incur the same proportional levy costs as higher income earners in the \$80,000 - \$100,000 bracket. It is concerning that the scheme may in fact not address poverty in the context of unforeseen illness and disease for low-income earners within the health sector.


Miscellaneous other comments:

With regards the ill-health component of the proposed scheme, GenPro would question how and who would determine the ill-health and how such professionals would be appropriately remunerated for the provision of such services?

We hope these comments are helpful and aid your deliberations. GenPro would be happy to discuss further if that would be helpful. Otherwise, please do not hesitate to contact me if you require any further information or clarification regarding this submission.

Nāku iti noa, nā

Privacy of natural persons



Philip Grant
Chief Executive

References:

1. "The Double Whammy of the general practice funding framework"
<https://genpro.org.nz/docs/Media-Release-03-September-2020.pdf>